

**Argyll and Bute Council**  
**Comhairle Earra-Ghàidheal Agus Bhòid**

*Customer Services*  
*Executive Director: Douglas Hendry*



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17 November 2016

**NOTICE OF MEETING**

A meeting of the **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 24 NOVEMBER 2016** at **10:00 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director of Customer Services

**BUSINESS**

**1. APOLOGIES FOR ABSENCE**

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

**3. MINUTES** (Pages 1 - 20)

Argyll and Bute Council held on 29 September 2016

**4. MINUTES OF COMMITTEES**

- \* (a) Policy and Resources Committee held on 27 October 2016 (Pages 21 - 28)
- \* (b) Environment, Development and Infrastructure Committee held on 10 November 2016 (Pages 29 - 34)
- \* (c) Special Community Services Committee held on 21 November 2016 (to follow)

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 \*.

**5. CHARITABLE LEISURE AND LIBRARIES TRUST - FULL BUSINESS CASE AND PRESENTATION BY ERNST AND YOUNG** (Pages 35 - 92)

Extract from the Special Community Services Committee held on 21 November 2016 (to follow) and report by Acting Executive Director of Community Services

**6. LEADER'S REPORT** (Pages 93 - 104)

Report by Leader of Council

## **7. POLICY LEAD COUNCILLORS REPORTS**

- (a) Report by Policy Lead for Health & Social Care Integration (Pages 105 - 112)
- (b) Report by Policy Lead for Strategic Housing, Gaelic, Community & Culture (Pages 113 - 126)

## **8. BUDGET 2017-18**

- (a) Budget Consultation (Pages 127 - 144)  
Report by Executive Director of Customer Services
- (b) Management / Operational Savings 2017-18 (Pages 145 - 154)  
Report by Head of Strategic Finance

## **9. AUDITED ACCOUNTS 2015-16 (Pages 155 - 224)**

Report by Head of Strategic Finance

## **10. AUDIT COMMITTEE ANNUAL REPORT 2015-2016 (Pages 225 - 234)**

Report by Chair of Audit Committee

## **11. POLITICAL MANAGEMENT ARRANGEMENTS**

- (a) Minute of Short Life Working Group on Political Management Arrangements held on 24 October 2016 (Pages 235 - 236)
- (b) Report by Executive Director of Customer Services (Pages 237 - 242)

## **12. PRIVATE ITEMS FOR COMMITTEE (Pages 243 - 250)**

Report by Executive Director of Customer Services

## **13. 2018 REVIEW OF UK PARLIAMENT CONSTITUENCIES (Pages 251 - 254)**

Report by Executive Director of Customer Services

## **14. EVALUATION OF THE REFUGEE RESETTLEMENT PROGRAMME (Pages 255 - 284)**

Report by Chief Executive

## **15. STANDARDS COMMISSION REPORT (Pages 285 - 296)**

Letter by the Standards Commission

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

Moved by Councillor Horn, seconded by Councillor Taylor

Notes that current legislation allows for personal care to be provided free for people in Scotland aged over 65.

Notes that of the 85,807 dementia sufferers in Scotland 3,201 are under the age of 65 and therefore not automatically entitled to free personal care.

Commends the campaign by Mrs Amanda Kopel – “Frank’s Law” – to request that the

Scottish Government extends free personal care to anyone under the age of 65 who requires such care for their dementia, motor neurone disease, Parkinson's, multiple sclerosis, cancer, progressive supranuclear palsy (or any other degenerative brain disease).

Instructs the Chief Executive to write to the First Minister requesting her to consider the introduction of a "Frank's Law" so that free personal care may be extended to under 65s with degenerative terminal illness.

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

Moved by Councillor Robb, seconded by Councillor Taylor

The Council:

Notes that large numbers of the Argyll and Bute population rely on health services from the Greater Glasgow and Clyde Health Board particularly those in Helensburgh and Lomond area but also those reliant on the Vale of Leven Hospital.

Notes that no councillor representative from Argyll and Bute Council is appointed to the Board.

Agrees that an elected member from Argyll and Bute Council on the Board to represent the interests of residents in our local authority area would be beneficial.

Agrees to write to the Cabinet Secretary for Health to request that a place on the Greater Glasgow and Clyde Health Board be assigned to an elected member nominee from Argyll and Bute Council.

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

Moved by Councillor Strong, seconded by Councillor Horn.

Preamble

This Council urges the UK Government to take account of the retrospective nature of the changes to pensions. This has meant that changes in pension arrangements for women born in the 1950s has left them in financial difficulties.

Motion

The Council calls upon the Government to make fair transitional state pension arrangements for all women born on or after 6<sup>th</sup> April 1951, who have unfairly borne the burden of the increase to the State Pension Age (SPA) with lack of appropriate notification.

Hundreds of thousands of women had significant pension changes imposed on them by the Pensions Act of 1995 and 2011 with little/no/personal notification of the changes. Some women only had two years notice of a six-year increase to their state pension age.

Many women born in the 1950's are living in hardship. Retirement plans have been shattered with devastating consequences. Many of these women are already out of the labour market, caring for elderly relatives, providing childcare for grandchildren, or suffer discrimination in the workplace so struggle to find employment.

Women born in this decade are suffering financially. These women have worked hard, raised families and paid their tax and national insurance with the expectation

that they would be financially secure when reaching 60. It is not the pension age itself that is in dispute – it is widely accepted that women and men should retire at the same time.

The issue is that the rise in the women's state pension age has been too rapid and has happened without sufficient notice being given to the women affected, leaving women with no time to make alternative arrangements.

The Council calls upon the Government to reconsider the transitional arrangements for women born on or after 6<sup>th</sup> April 1951, so that women do not live in hardship due to pension changes they were not told about until it was too late to make alternative arrangements.

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

Moved by Councillor Devon, seconded by Councillor Horn.

### **Preamble:**

- Auto-immune anti-NMDA Receptor Encephalitis, or NMDA, is a disease which is often misdiagnosed as a mental health issue because it presents in the same way as other conditions such as bipolar or schizophrenia.
- The reason it is misdiagnosed is because NMDA is not being taught within the UK medical curriculum – which means that healthcare professionals are failing to recognise it.
- If left untreated, or not treated correctly, NMDA can lead to behavioural changes, confusion, cerebellar symptoms, reduced consciousness and death.
- Incorrectly diagnosing NMDA as a mental health condition means that, as well as going without the correct treatment, sufferers are often sectioned under the Mental Health Act and admitted to mental health institutions/secure care.
- As well as causing unnecessary distress to sufferers and their families, this adds needless pressure to mental health care services as well as budgets.
- All of this is unnecessary because NMDA, when recognised and correctly diagnosed, is easily treated using standard inexpensive medications which are readily available through the NHS – and, with appropriate treatment, the disease is generally reversible with a good prognosis.
- There are people living in Argyll and Bute who are suffering through misdiagnosis of NMDA and therefore are not receiving the appropriate treatment they need in order to recover and live a full life. Because this is affecting people in our communities, through this motion I hope that Argyll and Bute Council can contribute to raising awareness of NMDA and I am asking the council to do the following:

People with NMDA need and deserve to have their condition diagnosed correctly so they get the right treatment and have every chance of making a good recovery. In order for this to happen, the General Medical Council should include NMDA in its UK



Medical Curriculum for health care professionals.

Therefore, Argyll and Bute Council agrees to:

- Write to the appropriate Scottish and UK Government Ministers responsible for health issues seeking their support in calling for Auto-immune anti-NMDA Receptor Encephalitis (NMDA) to be added to the UK Medical Curriculum as soon as possible;
- Write to the UK General Medical Council requesting that it includes NMDA, its diagnosis and its treatment in the UK Medical Curriculum as soon as possible.

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

Moved by Councillor Strong, seconded by Councillor Taylor.

The Council:

- i. notes that Deputy Head Teachers are having to cover the critical duties of School Attendance Officers in encouraging pupils to engage with the education system in a positive manner.
- ii. accepts that the loss of attendance officers may have contributed to a reduction in the attainment amongst the group having the lowest 20% of attainment in some schools.
- iii. agrees that the effective prohibition on attendance officer posts be removed and that Head Teachers may enter into 'local' arrangements with the agreement of the Head of Education to employ School Librarians utilising their available budgets.

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

Moved by Councillor Strong, seconded by Councillor Taylor.

The Council:

- i. Notes the Council decision to remove the funding for secondary school librarians at the last Council budget meeting, notwithstanding the proposal of the Opposition to maintain that service.
- ii. Notes that there is concern amongst pupils, parents and teachers that the loss of these staff will have a detrimental effect on the learning experience of many pupils and be detrimental to academic attainment.
- iii. Agrees that the effective prohibition on secondary school librarian posts be removed, and
- iv. Agrees that Head Teachers may enter into 'local' arrangements with the agreement of the Head of Education to employ School Librarians utilising their available budgets.

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**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER,  
KILMORY, LOCHGILPHEAD  
on THURSDAY, 29 SEPTEMBER 2016**

**Present:**

Councillor Len Scoullar (Chair)

Councillor John Armour	Councillor Roderick McCuish
Councillor Gordon Blair	Councillor Julie McKenzie
Councillor Michael Breslin	Councillor Alex McNaughton
Councillor Rory Colville	Councillor James McQueen
Councillor Robin Currie	Councillor Bruce Marshall
Councillor Vivien Dance	Councillor Aileen Morton
Councillor Mary-Jean Devon	Councillor Ellen Morton
Councillor George Freeman	Councillor Gary Mulvaney
Councillor Kieron Green	Councillor Douglas Philand
Councillor Anne Horn	Councillor Elaine Robertson
Councillor Alistair MacDougall	Councillor James Robb
Councillor Neil MacIntyre	Councillor Isobel Strong
Councillor Robert E Macintyre	Councillor Sandy Taylor
Councillor Robert G MacIntyre	Councillor Richard Trail
Councillor Donald MacMillan	Councillor Dick Walsh
Councillor John McAlpine	

**Attending:**

Cleland Sneddon, Chief Executive  
Douglas Hendry, Executive Director of Customer Services  
Ann Marie Knowles, Acting Executive Director of Community Services  
Pippa Milne, Executive Director of Development and Infrastructure Services  
Charles Reppke, Head of Governance and Law  
Kirsty Flanagan, Head of Strategic Finance

The Provost advised that he had previously written a letter to the Prime Minister of Italy expressing the Councils deepest sympathy following the devastating earthquake. He informed the Council that he had received a reply from Consul General of Italy thanking the Council for their letter.

Councillor Isobel Strong had received a petition from residents over the closure of Thompson Court Dementia Centre in Rothesay which she handed to the Provost, who indicated he would pass this to the Chair of the Integrated Joint Board.

The Provost congratulated two Modern Apprentices, Steven Simpson and Chris Cupples who had been nominated in the Scottish Training Federation (STF) Apprentice of the Year 2016 Awards. The Awards were held on 27 September and Steven was announced as the overall Modern Apprentice winner. The Provost presented the Apprentices with commemorative Quaich's.

There was a very informative presentation by Captain Thomas Blair, MOD on the major community engagement tour 7SCOTS on the West Coast during the month of September. The Provost, on behalf of the Council, thanked the Captain for his presentation.

**1. NOTICE OF MOTION UNDER STANDING ORDER 14**

The Head of Governance and Law advised that in terms of Standing Order 14 the following Notice of Motion by Councillor Robb, seconded by Councillor Taylor had been received for consideration as a matter of urgency at this meeting:-

“It was noted at the Policy and Resources Committee that the Council may be facing a funding gap of up to £10.5m in 2017-18 but no consideration was given to a strategy to balance the budget that year. The Council agrees that an accelerated process based on Service Choices Process be taken forward to produce the required savings options. The Chief Executive is instructed to prepare Savings Options to balance the 2017-18 budget to be presented at the earliest possible Council meeting, taking note of the desire to hold a public consultation on the Savings Options and the scheduled Budget meeting on the 9th February 2017.”

The Provost ruled that the Motion was not urgent and would therefore stand to be considered at the next ordinary Council Meeting unless disposed of in some other way before then.

**2. APOLOGIES FOR ABSENCE**

Apologies for absence were intimated from Councillors Corry, Kelly and Kinniburgh.

**3. DECLARATIONS OF INTERESTS**

There were no declarations of interest intimated.

**4. MINUTES**

**(a) Argyll and Bute Council held on 30 June 2016**

The Minutes of the Meeting of Argyll and Bute Council held on 30 June 2016 were approved as a correct record.

**(b) Special Argyll and Bute Council held on 18 August 2016**

The Minutes of the Special Meeting of Argyll and Bute Council held on 18 August 2016 were approved as a correct record.

**5. MINUTES OF COMMITTEES**

**(a) Environment, Development and Infrastructure Committee held on 11 August 2016**

The Minutes of the Meeting of the Environment, Development and Infrastructure Committee held on 11 August 2016 were noted.

**(b) Policy and Resources Committee held on 18 August 2016**

The Minutes of the Meeting of the Policy and Resources Committee held on 18 August 2016 were noted.

Arising from item 12, Revision of the Corporate Health and Safety Policy, the

Council approved the revised Health and Safety Policy.

Arising from item 13, Reducing Stress in the Workplace Policy, the Council approved the updated Reducing Stress in the Workplace Policy.

Arising from item 14, People Strategy 2016-2020, The Council approved the People Strategy 2016-2020.

**(c) Community Services Committee held on 8 September 2016**

The Minutes of the Meeting of the Community Services Committee held on 8 September 2016 were noted. Arising from item 14, Strategic Housing Investment Plan 2017/18 – 2021/22, the Council agreed the proposals summarised in the report form the basis of the submission to the Scottish Government in November 2016. The Council also congratulated the SHIP team who had won the overall award at the Excellence Awards held yesterday.

### **6. LEADER'S REPORT**

A report providing the Council with an update on the activities undertaken by the Leader of the Council from 21 June 2016 to 15 September 2016 was considered. The report also provided updates in respect of the Leaders role as Policy Lead Councillor for Finance, IT, HR and Governance and Law.

#### **Decision**

The Council:-

1. Noted the content of the report.
2. Noted that the full Leaders report pack was available in the Leader's Office which included COSLA papers and briefings as referenced in the report.
3. Noted that any COSLA items heard in public session could be provided to Members electronically and any items taken in private session could be reviewed in the Leader's Office.

(Ref: Report by Leader of the Council dated 15 September 2016, submitted)

### **7. POLICY LEAD COUNCILLORS REPORTS**

**(a) Report by Policy Lead for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism)**

The Council considered a report providing an update on the main focus of the Policy Lead Councillor for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism) since 1 January 2016.

#### **Decision**

The Council noted the content of the report.

(Ref: Report by Policy Lead Councillor for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism) dated 19 September 2016, submitted)

(b) **Report by Policy Lead for Education and Lifelong Learning**

The Council considered a report providing an update on the main focus of the Policy Lead Councillor for Education and Lifelong Learning from January to August 2016.

**Decision**

The Council noted the content of the report.

(Ref: Report by Policy Lead Councillor for Education and Lifelong Learning dated September 2016, submitted)

**8. AUDIT SCOTLAND/ACCOUNTS COMMISSION - IMPROVEMENT PLAN**

The Council considered a report which provided members with an update on the improvement plan that has been developed to take forward the Accounts Commission findings on the Controller of Audit Scotland's further Statutory Report on the Council.

**Motion**

The Council:-

- Notes the very challenging timetable in which the Council had to set its budget for 2016/17, with the need for clarity and advice from the Scottish Government on ongoing changes to the local government finance settlement and the consequential potential impact on the people of Argyll and Bute;
- Confirms the extensive consultation that was carried out by the Council on the Service Choices savings options for 2016/17 with communities across Argyll and Bute and the subsequent 'you said, we did' consultation feedback detail;
- Notes the significant impact and consequences for the Council's budget and savings options consultation following the eventual announcement of the final financial settlement;
- Notes the need for the Council's Administration, in recognition of the views being expressed by communities following the consultation and with the significant adverse changes to available finances at that time, to identify further savings to offset and remove some of the significant service cuts that our communities were representing on;
- Notes the advice to the Scottish Parliament by the First Minister Nicola Sturgeon where she acknowledges Argyll and Bute Council as an example of a council "doing all possible to keep the impact to a minimum";
- Agrees that when considering this very difficult and developing situation, the Audit Scotland Review of the Budget Setting Process 2016/17 and its conclusions do not sufficiently reflect the council's actions and activities, and further that these conclusions understate the ever-changing and challenging circumstances faced by the Council at that time;

- Welcomes the findings which recognise the progress that the Council has made, the improvements in political and managerial leadership, decision making and scrutiny with a consequent reduction in risk;
- Welcomes the recommendation to consolidate progress and build on this to ensure a sustainable future for the Council in particular at this time of significant financial challenge;
- Acknowledges the findings of the follow-up audit and the six key areas identified with advice on where the Council needs to continue to improve;
- Agrees to progress the updated improvement plan as set down in appendix 1 of the report;
- In light of the above, notes that the Chief Executive will provide update reports on the council's progress on the Audit Scotland-Accounts Commission Improvement Plan in due course, and agrees that these updates should include progress in relation to the Budget Process Review, as soon as practical following the 2017/18 budget setting process.

Moved by Councillor Walsh, seconded by Councillor E Morton.

### **Amendment**

Note that the progress that has been made to date against each of the improvement actions.

It was noted at the Policy and Resources Committee that the Council may be facing a funding gap of up to £10.5m in 2017-18 but no consideration was given to a strategy to balance the budget that year. The Council agrees that an accelerated process based on Service Choices Process be taken forward to produce the required savings options. The Chief Executive is instructed to prepare Savings Options to balance the 2017-18 budget to be presented at the earliest possible Council meeting, taking note of the desire to hold a public consultation on the Savings Options and the scheduled Budget meeting on the 9th February 2017.

The Council agrees that any changes to achievable financial or budgeting forecasts approved by officers (Audit Scotland Report paragraph 16) will be shared with all councillors as soon as possible.

Moved by Councillor Robb, seconded by Councillor Taylor.

The Provost adjourned the meeting at 11.35am and reconvened at 11.45am.

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

### **Motion**

Councillor Colville  
Councillor Currie  
Councillor Devon  
Councillor Green  
Councillor McAlpine  
Councillor McCuish  
Councillor MacDougall

### **Amendment**

Councillor Armour  
Councillor Blair  
Councillor Breslin  
Councillor Dance  
Councillor Freeman  
Councillor Horn  
Councillor N MacIntyre

Councillor R G MacIntyre  
Councillor MacMillan  
Councillor McNaughton  
Councillor McQueen  
Councillor A Morton  
Councillor E Morton  
Councillor Mulvaney  
Councillor Robertson  
Councillor Scoullar  
Councillor Walsh

Councillor R E Macintyre  
Councillor McKenzie  
Councillor Marshall  
Councillor Philand  
Councillor Robb  
Councillor Strong  
Councillor Taylor  
Councillor Trail

### **Decision**

The Motion was carried by 17 votes to 15 and the Council resolved accordingly.

(Ref: Report by the Executive Director of Customer Services dated 8 August 2016, submitted)

### **9. CHARLES AND BARBARA TYRE TRUST - APPOINTMENT OF GOVERNORS**

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

### **Motion**

That no appointment be made to the Charles and Barbara Tyre Trust.

Moved by Councillor Strong, seconded by Councillor Dance.

### **Amendment 1**

Agree the recommendation contained within the report and to investigate the legality of the Council having to make appointments to the Trust and to report back to a future Council Meeting.

Moved by Councillor Colville, seconded by Councillor E Morton.

### **Amendment 2**

Agree the recommendation contained within the report.

Moved by Councillor Robb, seconded by Councillor N MacIntyre.

A vote was taken on all the proposals with each Member having one vote. The Motion received 13 votes, Amendment 1 received 14 votes and Amendment 2 received 3 votes. None of the proposals received an overall majority so the proposal with the fewest proposals was dropped and a second vote was taken between the two remaining proposals. Amendment 1 received 17 votes and the Motion received 13 Votes.



**Decision**

The Council resolved in terms of Amendment 1.

Agree the recommendation contained within the report and to investigate the legality of the Council having to make appointments to the Trust and to report back to a future Council Meeting.

(Ref: Report by the Executive Director of Customer Services dated 29 August 2016, submitted)

**10. APPOINTMENT OF PERSONS INTERESTED IN THE PROMOTION OF RELIGIOUS EDUCATION**

The Council considered a report which advised that Rev William Crossan and Father David Connor had both resigned from the Community Services Committee as Religious Representatives. The Council has now received nominations from both the Church of Scotland and the Roman Catholic Church to take up two of these positions following the resignations.

**Decision**

The Council agreed to:-

1. Confirm the appointment of Mr William Stewart Shaw (as nominated by the Church of Scotland) and Mrs Margaret Anderson (as nominated by the Roman Catholic Church) as members of the Community Services Committee.
2. Provide financial support to enable the religious representatives on the Community Services Committee to attend the annual training conference.

(Ref: Report by the Executive Director of Customer Services dated 22 September 2016, submitted)

**11. THE ELECTION OF A TEACHER REPRESENTATIVE TO THE COMMUNITY SERVICES COMMITTEE**

The Council considered a report which advised that Billy Marshall had retired as a Teacher Representative on the Community Services Committee and that nominations were sought from teachers serving within the Council and one member of staff had sought membership of the Committee. Due to there being no other nominations it was proposed that Willie Hamilton be elected to be the teacher representative to the Community Services Committee.

**Decision**

The Council noted the outcome of the process and agreed that Willie Hamilton, Teacher Dunoon Grammar School be the Teacher Representative for the period of the present Council.

(Ref: Report by the Executive Director of Customer Services dated 8 September 2016, submitted)

(a) **Report by Executive Director of Customer Services**

The Council considered a report which provided members with an update on the delegation given to the Executive Director of Customer Services, in consultation with the Council Leader, Depute Leader, and Leaders of all Opposition Groups, to fill the vacancies on the Audit Committee and Performance and Review Scrutiny Committee. It also addresses the vacancies on the Regulatory Cohort/Planning, Protective Services and Licensing Committee and the Argyll and Bute Licensing Board which was deferred to September and a subsequent vacancy on the PRS Committee.

**Motion**

The Council:

- Confirms the appointment of Councillor Bruce Marshall as a member of the Performance Review and Scrutiny Committee;
- Appoints Councillors Roddy McCuish and Elaine Robertson to fill the vacancies on the Audit Committee;
- Notes that in terms of the remaining vacancies on the Performance Review and Scrutiny Committee, the Regulatory Cohort/PPSL and Licensing Board the Administration will notify the Executive Director of Customer Services at a future date on the filling of this vacancies;
- Notes the resignation of Councillor Robert E MacIntyre from the Council's Administration and therefore removes Councillor Robert E Macintyre from the position of Chair of the Bute and Cowal Area Committee, appoints Councillor Alex McNaughton as Chair in his place, and appoints Councillor Len Scoullar as Vice-Chair of the same committee;
- Appoints Cllr Kieron Green to the Community Services Committee in place of Cllr Robert E Macintyre following his resignation from the Administration.

Moved by Councillor E Morton, seconded by Councillor Walsh.

**Amendment**

The Council:

- Confirms the appointment of Councillor Bruce Marshall as a member of the Performance Review and Scrutiny Committee;
- Appoints Councillors Roddy McCuish and Elaine Robertson to fill the vacancies on the Audit Committee;
- Notes that in terms of the remaining vacancies on the Performance Review and Scrutiny Committee, the Regulatory Cohort/PPSL and

Licensing Board the Administration will notify the Executive Director of Customer Services at a future date on the filling of this vacancies;

- Appoints Cllr Kieron Green to the Community Services Committee in place of Cllr Robert E Macintyre following his resignation from the Administration.

Moved by Councillor Strong, seconded by Councillor Armour.

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

### **Motion**

Councillor Colville  
Councillor Currie  
Councillor Devon  
Councillor Green  
Councillor McAlpine  
Councillor McCuish  
Councillor MacDouall  
Councillor N MacIntyre  
Councillor R G MacIntyre  
Councillor MacMillan  
Councillor McNaughton  
Councillor McQueen  
Councillor A Morton  
Councillor E Morton  
Councillor Mulvaney  
Councillor Robertson  
Councillor Scoullar  
Councillor Walsh

### **Amendment**

Councillor Armour  
Councillor Blair  
Councillor Breslin  
Councillor Dance  
Councillor Freeman  
Councillor Horn  
Councillor R E Macintyre  
Councillor McKenzie  
Councillor Marshall  
Councillor Philand  
Councillor Robb  
Councillor Strong  
Councillor Taylor  
Councillor Trail

### **Decision**

The Motion was carried by 18 votes to 14 and the Council resolved accordingly.

(Ref: Report by Executive Director of Customer Services dated 15 September 2016, submitted)

### **(b) Minute of the Short Life Working Group on Political Management Arrangements 22 September 2016**

The Council considered the Minute of the Short Life Working Group on Political Management Arrangements.

### **Decision**

The Minute of the Short Life Working Group on the Political Management Arrangements was approved.

(Ref: Minute of SLWG of 22 September 2016, submitted)

### **13. FREEDOM OF ARGYLL AND BUTE**

The Council considered a report which provided background information on Gordon Reid from Helensburgh who had achieved significant success in tennis at an international level over the past 2 years. The Council was invited to consider the request of the Helensburgh and Lomond Area Committee to award the Freedom of Argyll and Bute to Gordon Reid.

#### **Decision**

The Council:

- Supports the proposal to confer the Freedom of Argyll and Bute on Gordon Reid;
- Instructs the Executive Director of Customer Services, in consultation with the Provost, to make arrangements for a special meeting of the Council for the formal admission ceremony;
- Notes that this will be the only item on the agenda for that special meeting of the Council, which will take place at a date, time and venue to be determined as soon as possible.

(Ref: Report by Executive Director of Customer Services dated 21 September 2016, submitted)

The Provost adjourned the Meeting at 1.50pm and re-convened at 2.20pm.

### **14. BARCLAY REVIEW OF BUSINESS RATES**

The Council considered a report which sought approval to the submission of a draft response to the Scottish Government with regard to the consultation on the Barclay Review of Business Rates.

#### **Motion**

Agree to the recommendation contained within the report and it be delegated to the Executive Director of Customer Services to provide additional wording in respect of the comments on TIF's to consider alternative options for funding major projects.

Moved by Councillor Walsh, seconded by Councillor E Morton.

#### **Amendment**

Agree to the recommendation contained within the report but with the deletion of the word "remove" and replace with the word "reviewed" in the last paragraph to the response and it be delegated to the Executive Director of Customer Services to provide additional wording in respect of the comments on TIF's to consider alternative options for funding major projects.

Moved by Councillor Robb, seconded by Councillor Taylor.

**Decision**

On a show of hands vote, the Amendment received 11 votes and the Motion received 17 votes and the Council resolved accordingly.

(Ref: Report by the Executive Director of Customer Services dated 8 September 2016, submitted)

**15. CONSULTATION ON A CHILD POVERTY BILL FOR SCOTLAND**

The Council considered a report which sought approval to the submission of a draft response to the Scottish Government with regard to the consultation on the Child Poverty Bill for Scotland.

**Decision**

The Council agreed to the submission of the draft response outlined at Appendix 1 from Argyll and Bute Council to the Scottish Government.

(Ref: Report by the Executive Director of Customer Services dated 8 September 2016, submitted)

**16. FIFTH STATUTORY BOUNDARY COMMISSION REVIEW**

The Council considered a report which advised members of the decision of Scottish Ministers in respect of the proposed changes to Councillor numbers and Ward boundaries.

**Decision**

The Council noted:-

1. The decision of Scottish Ministers to retain the status quo for Councillor numbers and the Ward Boundaries.
2. That the Leader has written to the Minister for Parliamentary Business to record the appreciation of the Council and the people of Argyll and Bute, for responding positively to the concerns raised.

(Ref: Report by the Executive Director of Customer Services dated 16 September 2016, submitted)

**17. ARGYLL AND BUTE LOCAL DEVELOPMENT PLAN SUPPLEMENTARY GUIDANCE 2**

The Council considered a recommendation by the Planning, Protective Services and Licensing Committee of 22 June 2016 with regard to the Argyll and Bute Local Development Plan Supplementary Guidance 2.

**Decision**

The Council agreed that the proposed Supplementary Guidance 2 be submitted to Scottish Ministers, and thereafter, subject to no major modifications, that Supplementary Guidance 2 be adopted as a statutory part of the Development Plan.

(Ref: Recommendation by the Planning, Protective Services and Licensing Committee of 22 June 2016, submitted)

**18. DUNOON CONSERVATION AREA APPRAISAL AND BOUNDARY EXTENSION**

The Council considered a recommendation by the Planning, Protective Services and Licensing Committee of 17 August 2016 with regard to the Dunoon Conservation Area Appraisal and Boundary Extension.

**Decision**

The Council agreed the adoption of the variation of the Conservation Area Boundary and the Dunoon Conservation Area Appraisal and Management Strategy as a Technical Note to be used to inform planning decisions.

(Ref: Recommendation by the Planning, Protective Services and Licensing Committee of 17 August 2016, submitted)

**19. HIE: ARGYLL AND BUTE TRANSPORT CONNECTIVITY AND ECONOMY RESEARCH STUDY**

The Council considered a report which presented the findings of the Argyll and Bute Transport Connectivity and Economy Study undertaken by Elosgen, commission by Highlands and Islands Enterprise (HIE) in April 2015 to undertake the research. The purpose of the study was to identify perceived problems and opportunities in relation to transport connectivity with Argyll and Bute, and between the area and the major transport and employment hub of Glasgow and the central belt.

**Motion**

The Council:

- Notes that transport infrastructure limitations have long been identified as holding back the economic development of Argyll and Bute, with this report from HIE validating views previously put forward by communities and businesses right across the area. The Rural Regeneration Framework developed by the Council has already identified that infrastructure investment is a key area of development required if the Single Outcome Agreement (“Argyll and Bute’s Economic Success is Built on a Growing Population”) is to be progressed effectively.
- Recognises the need to consider connectivity as a whole and requests that the Executive Director of Development and Infrastructure writes to Highlands and Islands Enterprise to ask whether the work HIE is also charged with

delivering in terms of digital connectivity could be further aligned with this transportation study to ensure maximum effect

- Agrees that while it is welcome to see the infrastructure challenges facing this area identified and reported on by an independent organisation, this report does not identify any deliverable solution for any community. Previous reports have identified, for example, the need for work to be carried out on the A82 and A83 but years on there is still no plan or timescale to deliver all of the improvements required, despite the Council's consistent position that a permanent solution is needed for the Rest and Be Thankful.
- Considering the transformational scale of investment required the Council recognises the need to work with national governments and other key partners in delivering road (including fixed links), rail, air and ferry improvements. The Council welcomes the interest the Scottish Government Minister for Transport and the Islands has shown in Argyll and Bute's infrastructure and requests that the Leader of the Council writes to Humza Yousaf asking for his support in establishing a working group charged with identifying transport infrastructure improvements that will mitigate the issues identified in the report and support economic growth. In addition to the council the group should involve organisations such as HiTrans, Transport Scotland and CalMac.

Moved by Councillor A Morton, seconded by Councillor McCuish.

### **Amendment**

Instruct the Executive Director of Development and Infrastructure Services to bring to the next meeting of the Council a paper based on the HIE report that prioritises the projects listed in terms of economic growth and deliverability.

To note that Members may contribute to this by submitting comments to the Executive Director.

Moved by Councillor Robb, seconded by Councillor Blair.

### **Decision**

On a show of hands vote the Amendment received 8 votes and the Motion received 20 votes and the Council resolved accordingly.

(Ref: Report by the Executive Director of Development and Infrastructure Services dated August 2016, submitted)

## **20. INITIAL ANALYSIS OF IMPLICATIONS OF EU EXIT ON ARGYLL AND BUTE, AND THE COUNCIL'S RESPONSE TO EVIDENCE BY THE EUROPEAN AND ETERNAL RELATIONS COMMITTEE ON SCOTLAND'S RELATIONSHIP WITH THE EU**

The Council considered a report which provided an overview of the known or likely impacts of the outcome of the European Union Referendum on European funding programmes accessed by the Council and within the wider region. The report also

provided members with the response submitted by officers to the Scottish Parliament's European and External Relations Committee's Call for Evidence on Scotland's Relationship with the EU, whilst providing an opportunity for Members to propose additions to the response.

### **Motion**

1. Noted the contents of the report.
2. Noted the submission of officer's response to the relevant issues in the Scottish Parliament European and External Relations Committee Call for Evidence to meet the deadline.
3. Members to propose any additions to the submitted response which can be submitted to the Committee Clerk as a late response.
4. The Council agrees to ask the Prime Minister to guarantee replacement funding equivalent to that currently available through EU schemes is made available.

Moved by Councillor Robb, seconded by Councillor Taylor.

### **Amendment**

1. Noted the contents of the report.
2. Noted the submission of officer's response to the relevant issues in the Scottish Parliament European and External Relations Committee Call for Evidence to meet the deadline.
3. Members to propose any additions to the submitted response which can be submitted to the Committee Clerk as a late response.
4. To write to the Committee to highlight the impact that the EU exit may have on NHS and Care Staff recruitment.

Moved by Councillor A Morton, seconded by Councillor McCuish.

### **Decision**

On a show of hands vote the Amendment received 18 votes and the Motion received 10 votes and the Council resolved accordingly.

(Ref: Report by Executive Director of Development and Infrastructure Services dated 7 September 2016, submitted)

## **21. ANNUAL REPORT BY THE CHIEF SOCIAL WORK OFFICER 2015/16**

The Council considered a report which summarised the Chief Social Work Officer Annual Report covering the period from 1 April 2015 to 31 March 2016. It outlined the statutory functions of the social work services, demonstrating the levels of



activities and how the services are working to improve outcomes for the most vulnerable.

### **Decision**

The Council noted the contents of the Chief Social Work Officer Annual Report before submission to the Scottish Government by 31 September 2016.

The Council noted that the new statutory guidance on the role of the Chief Social Work Officer is currently being published by the Scottish Government and arrangements have been made for a members seminar in December.

(Ref: Report by Chief Social Work Officer dated 15 August 2016, submitted)

Councillors Dance and RE Macintyre left the meeting at this point.

## **22. EDUCATION AND VISION STRATEGY**

The Council considered a report which presented the revised Education Vision and Strategy. The Strategy presents an opportunity for Education Services to effectively respond to the changing National and local policy contexts to ensure the future delivery of an Education Service which supports our children, young people and communities to achieve the best possible outcomes.

### **Decision**

The Council:-

1. Noted the preparation of the revised Education Vision and Strategy.
2. Noted the consultation processes undertaken by Education Services as an integral part of the preparation procedures of the Education Vision and Strategy.
3. Approved the Education Vision and Strategy.

(Ref: Report by the Acting Executive Director of Community Services dated 19 September 2016, submitted)

Councillor Marshall left the meeting at this point.

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

The following Notice of Motion Under Standing Order 13 was before the Council for consideration:-

### **Motion**

It was a matter of due process that the Audit Committee would first examine the issues raised by the Audit Scotland Review of the 2016-17 Budget Setting Process. This matter hasn't been included in the Council agenda for today. The Audit Committee meeting fell within the required notice period for a motion to Council so

the Provost is requested to accept this motion as a matter of urgency so the Council can urgently address the issues of potential reputational damage to the Council. So if the Provost is of the opinion this is a matter of urgency under Standing Order 14.1:

The Council:

- Agrees the Audit Scotland Review of the 2016-17 Budget Setting Process raises serious concerns that require urgent consideration by all elected members and notes that this is not currently on this Council agenda as happened with previous reports.
- Notes the relevant decision of the Audit Committee - "The Audit Committee agreed the recommendations contained within Audit Scotland's report having received a clear management response that the 3 elements will be acted on with regard given to timescales and deadlines."
- Endorses the decisions of the Audit Committee but additionally agrees that any changes to achievable financial or budgeting forecasts approved by officers (Audit Scotland Report paragraph 16) will be shared with all councillors as soon as possible.
- Agrees that the Chief Executive bring an update to the next Council meeting of progress on addressing the issues raised by Audit Scotland.

Moved by Councillor Robb, seconded by Councillor Taylor

### **Decision**

This item had already been dealt with earlier in the Meeting under item 7 of the Agenda.

(Ref: Notice of Motion by Councillor Robb, seconded by Councillor Taylor, submitted)

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

The following Notice of Motion Under Standing Order 13 was before the Council for consideration:-

### **Motion**

The Council notes that as a condition to receive the £5m awarded to the Council from Libor Funds the Council has agreed favourable admission terms to the replacement Helensburgh Leisure facility for serving personnel and their families.

The Council agrees that those favourable admission terms to the future Helensburgh facility, relative to the Council's published prices for similar facilities, be extended to all residents of Helensburgh and Lomond and if required this be subject to agreement with the Treasury.

The Council notes the intent in the Chancellors statement in March 2016 "and in response to the powerful case made to me by Ruth Davidson we're providing new community facilities for local people in Helensburgh and the Royal Navy personnel nearby at Faslane, paid for by LIBOR funds.

The Council notes that there may be a positive or negative effect to Council income from this pricing structure and that will be considered as part of the relevant budget process for future years.

Moved by Councillor Robb, seconded by Councillor Freeman.

**Amendment**

The Council:

- Notes that the terms and conditions attached to the £5m awarded to the Council from LIBOR Funds towards the costs of the new Helensburgh Waterfront swimming and leisure Project include a request from the UK Government for favourable admission terms for service personnel and their families while serving at the Faslane Naval Base;
- Notes that, as the opening of this new facility is some four years away and the likely revenue costs to run the future facility are not fully known at this time, careful consideration will be given to any future charging or discounting models, bearing in mind the LIBOR terms and conditions and the need to balance income and maximise throughput and volume.

Moved by Councillor E Morton, seconded by Councillor Mulvaney.

Councillor Mary Jean-Devon left the meeting at this point.

The requisite number of Members requested the vote to be taken by calling the roll, and Members voted as follows-:

**Motion**

Councillor Armour  
Councillor Blair  
Councillor Breslin  
Councillor Freeman  
Councillor Horn  
Councillor McKenzie  
Councillor Philand  
Councillor Robb  
Councillor Strong  
Councillor Taylor  
Councillor Trail

**Amendment**

Councillor Colville  
Councillor Currie  
Councillor Green  
Councillor McAlpine  
Councillor McCuish  
Councillor MacDougall  
Councillor N MacIntyre  
Councillor R G MacIntyre  
Councillor MacMillan  
Councillor McNaughton  
Councillor McQueen  
Councillor A Morton  
Councillor E Morton  
Councillor Mulvaney  
Councillor Robertson  
Councillor Scoullar  
Councillor Walsh

**Decision**

The Amendment was carried by 17 votes to 11 and the Council resolved accordingly.

(Ref: Notice of Motion by Councillor Robb, seconded by Councillor Freeman, submitted)

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

The following Notice of Motion Under Standing Order 13 was before the Council for consideration:-

**Preamble**

In February 2011 a significant decision was reached by the Special Committee for Older Person's Services, chaired by the current council leader Cllr Dick Walsh and with two other current councillors on the committee, Cllrs Rory Colville and Robin Currie. The decision reached that day was a pivotal one because it set the policy for the future privatisation of council delivered care services. The decisions on 3 February 2011 were:

- 1. Agreed that homecare and day care services, within the Older Peoples' part of Adult Services be put to a tender process to externalise to multiple providers;*
- 2. Agreed that care home services within the Older Peoples' part of Adult Services be put to a tender process to externalise to multiple providers and that Adult Services give further consideration to withdrawing from direct provision of the service and produce a detailed implementation plan to the Project Board in that regard; and*
- 3. Noted that timescales have been altered to pick up the direction of travel.*

These in principle decisions led to the privatisation of a number of care at home services during 2013. In June 2016, the Integrated Joint Board for Health & Social Care agreed to close Struan Lodge and the dementia service at Thomson Court, without any consultation. Despite a motion at the August meeting of the Bute & Cowal Area Committee, the IJB intends to proceed to implement its June decisions.

**Motion**

This council agrees that there is an argument for safeguarding continued public sector care provision so that there is a mix of public and private care for the elderly, with the intention of ensuring the highest quality of care overall. If agreed, this motion is to be submitted to the chair and chief officer of the IJB at the earliest opportunity.

Moved by Councillor Breslin, seconded by Councillor Freeman.

**Amendment**

The Council:

- Does not accept the views expressed in the preamble to the motion and specifically rejects the assertion that the decision taken in February 2011 by the Special Committee for Older Person's Services was pivotal to policy setting for the future direction of Council-delivered care services;

- Notes the fact that there were no fewer than 11 meetings of this committee going through 2011, 2012, and 2013 where the future direction of the service was considered, with firm views being developed, during April and June 2013;
- Notes from Council records that service direction, despite the inconsistent activities during 2012/13 of the mover of the motion, concluded on the retention of a public/private sector mix of services for elderly care and care home services;
- Notes the decision taken at the meeting held on 18<sup>th</sup> August 2016 and set down in pages 34 to 37 of the Council papers;
- Recognises and shares community views about the importance of retaining and developing quality public sector service provisions;
- Calls on the Scottish Government to work with the Argyll and Bute Health and Social Care Partnership and to provide the necessary support with finances that will assist with the future promotion of redesigned quality elderly care services for all areas of Argyll and Bute that are inclusive, work in a holistic way, safeguard both the public and private sector care home and home care service providers and ensure that there is a suitable mix of public and private care for the elderly, all working alongside the NHS, SAS, Hospice and GP service arrangements with the aim of developing and delivering on an improved model of elderly care services for all in Argyll and Bute.

Moved by Councillor Green, seconded by Councillor Robertson.

### **Decision**

On a show of hands vote the Amendment received 16 votes and the Motion received 11 votes and the Council resolved accordingly.

(Ref: Notice of Motion by Councillor Breslin, seconded by Councillor Freeman, submitted)

Councillors Philand and Robb left the meeting at this point

The Provost advised that the Council should resolve in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and 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 8&9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

## **26. 3G PITCHES AND PROPOSALS FOR REPAIR AND REFURBISHMENT**

The Council considered a report which provided details of the current position relating to proposals to improve the physical condition for a number of 3 G pitches across the Council area.

### **Motion**

The Council:

- Endorses the report to council;
- Approves the list of works (detailed in Appendix 1) for tender issue;

- Instructs that no contract award is to be made prior to the Council receiving advice following the investigations currently being conducted by Internal Audit, with further consideration being given to the future management and maintenance of the facilities.

Moved by Councillor Currie, seconded by Councillor E Morton.

### **Amendment**

The Council:

- Endorses the report to council;
- Approves the list of works (detailed in Appendix 1) for tender issue;
- Instructs that no contract award is to be made prior to the Council receiving advice following the investigations currently being conducted by Internal Audit, with further consideration being given to the future management and maintenance of the facilities.
- That the work to be carried out at the Dunoon 5 a side cages is based on the quotation from Allsports dated 10 March 2016, previously provided to the council. To allow for greater flexibility of use, ie 5--side, seven-a side and training etc, the installation of a curtain arrangement to replace the existing wooden barriers between pitches is required and the cost of new goals can be omitted. This will leave the gross costs in the Allsports quotation approximately the same.
- The tender for this facility should be specified accordingly.

Moved by Councillor Breslin, seconded by Councillor Blair.

### **Decision**

On a show of hands vote the Amendment received 9 votes and the Motion received 16 votes and the Council resolved accordingly.

(Ref: Report by Executive Director of Development and Infrastructure Services dated September 2016, submitted)

**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL  
CHAMBER, KILMORY, LOCHGILPHEAD  
on THURSDAY, 27 OCTOBER 2016**

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

Councillor Rory Colville	Councillor Aileen Morton
Councillor Kieron Green	Councillor Ellen Morton
Councillor Roderick McCuish	Councillor Len Scoullar
Councillor Alistair MacDougall	Councillor Isobel Strong
Councillor Neil MacIntyre	

**Attending:** Douglas Hendry, Executive Director of Customer Services  
Ann Marie Knowles, Acting Executive Director of Community Services  
Pippa Milne, Executive Director of Development and Infrastructure Services  
Kirsty Flanagan, Head of Strategic Finance  
Patricia O'Neill, Central Governance Manager  
Fergus Murray, Head of Economic Development and Strategic Transportation  
Tom Kerr, Senior HR Officer  
David Gunn, Oban Lorn Arc Programme Manager

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Robin Currie, Mary Jean Devon, Iain MacLean, Gary Mulvaney, James Robb and Sandy Taylor.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTES**

**(a) Policy and Resources Committee held on 18 August 2016**

The Minutes of the meeting of the Policy and Resources Committee held on 18 August 2016 were approved as a correct record.

**(b) Special Policy and Resources Committee held on 29 September 2016**

The Minutes of the meeting of the Special Policy and Resources Committee held on 29 September 2016 were approved as a correct record.

**4. FINANCIAL REPORT MONITORING PACK – AUGUST 2016**

**(a) Executive Summary**

Consideration was given to a report providing a summary of the financial monitoring reports as at the end of August 2016. There were six detailed reports summarised which included the Revenue Budget Monitoring Report as at 31 August 2016, the Monitoring of Service Choices Savings, the Monitoring of Financial Risks, the Capital Plan Monitoring Report as at 31 August 2016, the Treasury Monitoring Report as at 31 August 2016, and the Reserves and Balances report.

**Decision**

The Committee –

1. Noted the Revenue Budget Monitoring report as at 31 August 2016.
2. Noted the progress of the Service Choices Policy Saving Options as at the end of August 2016.
3. Noted the Capital Plan Monitoring report as at 31 August 2016.
4. Noted the Treasury Monitoring Report as at 31 August 2016 and agreed to recommend to Council that the Investment Strategy be amended to reduce the minimum sovereign rating from AA to AA- to match the Capita Asset Services suggested counterparty criteria and allow access to a wider range of counterparties.
5. Noted the overall level of reserves and balances and noted the monitoring of the earmarked reserves.

(Reference: Report by Head of Strategic Finance dated 13 October 2016, submitted)

\* (b) **Treasury Monitoring Report as at 31 August 2016**

Consideration was given to a report which set out the Council's treasury management position for the period 1 July 2016 to 31 August 2016 and included information on the overall borrowing position, borrowing activity, investment activity, economic background, interest rate forecast and prudential indicators.

**Decision**

The Committee –

1. Noted the treasury monitoring report as at 31 August 2016.
2. Agreed to recommend to Council that the Investment Strategy be amended to reduce the minimum sovereign rating from AA to AA- to match the Capita Asset Services suggested counterparty criteria and allow access to a wider range of counterparties.

(Reference: Report by Head of Strategic Finance dated October 2016, submitted)

**5. BUDGETARY OUTLOOK 2017-18 TO 2019-20 - UPDATE**

A report which provided the Committee with an update on the budgetary outlook 2017-18 to 2019-20 was considered. The report contained detail on the assumptions which had been updated and included a timetable for the 2017-18 budget preparation process.



**Decision**

The Committee:

1. Noted with concern that the local government settlement is not due to be announced until late December and that this will result in considerable pressure for local authorities in terms of their budget process.
2. Noted with concern the assumed reduction of 3.3% in funding from the Scottish Government, and the challenging consequences as a result for the council's future service delivery.
3. Noted that these circumstances result in considerable uncertainty in relation to future funding towards external spending pressures.
4. Noted with concern the advice supplied within the updated Budgetary Outlook position for 2017-18 to 2019-20.
5. Acknowledged that, as a result of the challenging position facing the council as outlined in the points above, work is currently ongoing to identify areas where expenditure can be reduced with future proposals coming forward for consideration by members through the budget process to ensure that the Council complies with its statutory responsibilities and promotes a balanced budget.
6. Agreed to the budget timetable for 2017-18 as set down in the report at paragraph 4.9.1 in the report to members.

(Reference: Report by Head of Strategic Finance dated 13 October 2016, submitted and Notice of Motion by Councillor Dick Walsh, seconded by Councillor Ellen Morton, tabled)

**6. ROTHESAY HARBOUR - JUDICIAL REVIEW**

The Committee gave consideration to a report updating Members on the outcome of the Rothesay Harbour Judicial Review raised against the Council.

**Decision**

The Committee noted the favourable outcome achieved in respect of the Review.

(Reference: Report by Executive Director – Customer Services dated 12 October 2016, submitted)

**7. NEW SCHOOLS - CAMPBELTOWN GRAMMAR AND OBAN HIGH SCHOOLS; KIRN PRIMARY - CONTRACT MONITORING**

The Committee considered a report updating Members on the ongoing monitoring of financial, legal and technical risk in respect of the delivery of new high schools in Campbeltown and Oban; and of a new primary school in Kirn.

**Decision**

The Committee noted the content of the report.

(Reference: Report by Executive Director of Customer Services and Acting Executive Director of Community Services dated 13 October 2016, submitted)

\* **8. DIGNITY AT WORK: ELIMINATING WORKPLACE BULLYING AND HARASSMENT POLICY AND PROCEDURE**

The Committee gave consideration to a report which presented the revised Dignity at Work: Eliminating Workplace Bullying and Harassment Policy and Procedure for approval for implementation on 1 December 2016.

**Decision**

The Committee –

1. Noted the content of the report.
2. Recommended the revised Dignity at Work: Eliminating Workplace Bullying and Harassment Policy and Procedure be approved by Council on 24 November 2016 for implementation on 1 December 2016; subject to the inclusion of a reference being made to the Councillors Code of Conduct as being the process in place in respect of elected members.

(Reference: Report by Executive Director – Customer Services dated 27 October 2016, submitted)

\* **9. PROCUREMENT STRATEGY 2016/17-2017/18 AND SUSTAINABLE PROCUREMENT POLICY 2016/17-2017/18 - DRAFT DOCUMENTS AND ONGOING CONSULTATION**

Consideration was given to a report which sought approval of the Procurement Strategy 2016/17 to 2017/18 and Sustainable Procurement Policy 2016/17 to 2017/18 and which detailed the output of the consultation undertaken for both.

**Decision**

The Committee –

1. Noted the content of the report.
2. Recommended approval of the Procurement Strategy 2016/17 to 2017/18 and Sustainable Procurement Policy 2016/17 to 2017/18 to full Council.

(Reference: Report by Executive Director – Customer Services dated 17 October 2016, submitted)

\* **10. COUNCIL TAX ON SECOND HOMES**

The Committee gave consideration to a report inviting them to consider whether they wished to remove the Council Tax discount for second homes from April 2017. The Scottish Government had produced draft legislation to allow Councils to bring this into effect.

**Decision**

The Committee agreed to recommend to full Council that the Council exercise its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to vary the council tax charge on second homes such that no discount applies across the whole of the Council area with effect from 1 April 2017 which would be conditional on the draft SSI entitled The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 being enacted with effect from 1 April 2017.

(Reference: Report by Executive Director – Customer Services dated 15 September 2016, submitted)

**11. DISCRETIONARY HOUSING PAYMENTS POLICY UPDATE**

The Council gave consideration to a report which sought approval of the updating of the Discretionary Housing Payments Policy following new guidance from the Department for Work and Pensions about households affected by the new reduced benefit cap which would be brought in from 7 November 2016.

**Decision**

The Committee approved the proposed amendment to the policy for awarding Discretionary Housing Payment as detailed in appendix 1 to the report by the Executive Director.

(Reference: Report by Executive Director – Customer Services dated 13 September 2016, submitted)

**12. CONSULTATION ON SOCIAL SECURITY**

The Committee considered a report inviting them to respond to a Scottish Government consultation on the future of Social Security in Scotland. A draft response to the consultation was appended to the report for the Committees consideration.

**Decision**

The Committee agreed the response to the Scottish Government consultation as detailed at appendix 1 to the report by the Executive Director.

(Reference: Report by Executive Director – Customer Services dated 12 September 2016, submitted)

**13. KILMAHEW/ST PETER'S - CHANGE OF NAME FOR OFFER OF GRANT**

Consideration was given to a report which sought agreement for a change of grant awardee name for the Kilmahew/St Peter's Project.

**Decision**

The Committee agreed to change the grantee name from NVA to Kilmahew/St Peter's Ltd on the Council award for £900k, made up of £250k capital funds and £650k of Regeneration Grant Funding, for the Kilmahew/St Peter's Project.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 19 September 2016, submitted)

**14. AMBERG-SULZBACH TWINNING ARRANGEMENT**

Consideration was given to a report outlining the detail of a twinning visit that took place on 1 to 5 August 2016 with Amberg Sulzbach. The report also presented options for strengthening the twinning arrangement in anticipation of its 50<sup>th</sup> anniversary in 2017.

**Decision**

The Committee –

1. Noted the content of the report.
2. Noted the similarities between Argyll and Bute and Amberg-Sulzbach and the invaluable shared knowledge and experience.
3. Endorsed the proposed strengthening of the twinning arrangement with Amberg-Sulzbach.
4. Agreed that a small delegation from Amberg-Sulzbach be invited to celebrate the 50<sup>th</sup> anniversary of the twinning arrangement in Argyll and Bute.
5. Agreed that this would be funded through the existing twinning budget and supplemented by a one off allocation of up to a maximum of £10K from the earmarked balance no longer required as outlined in the Reserves and Balances August 2016 update report at paragraph 3.3.3 of the submitted report.
6. Noted the recent trip to Bavaria undertaken by the Scottish Government, accompanied by business representatives and welcomes the synergy between the Council's actions and those now undertaken by the Scottish Government

(Reference: Report by Executive Director – Development and Infrastructure Services dated 27 October 2016, submitted)

**15. LORN ARC UPDATE**

The Chair welcomed the new Lorn Arc Programme Manager, David Gunn, to the meeting; who had joined the Council the previous month and was based in Oban.

A report was considered which provided the Committee with an update on progress in relation to the review of the commercial market and affordability assumptions in the Lorn Arc Business Case, the latest position with regard to the delivery of the individual projects, the recruitment of staff for the Lorn Arc team and latest budget position as at the end of August 2016.

**Decision**

The Committee –

1. Noted that the current position of the Lorn Arc Programme had been to the Oban, Lorn and the Isles Area Committee for information.

2. Noted that commercial agents had been appointed to review the economic modelling assumptions in the 2013 full business case.
3. Agreed that a more substantive report be prepared and reported to the first appropriate Policy and Resources Committee.
4. Noted the current position with the Lorn Arc Programme.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 28 September 2016, submitted)

**16. POLICY AND RESOURCES COMMITTEE WORKPLAN - OCTOBER 2016**

Consideration was given to the Policy and Resources Committee Work Plan as at October 2016.

**Decision**

The Committee noted the work plan as at October 2016.

(Reference: Policy and Resources Committee Work Plan as at October 2016, submitted)

The Chair advised that in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, the appendices relating to the following 2 items of business would require exclusion of the press and public should any Member wish to discuss the content of those appendices on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8&9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

**17. OBAN NORTH PIER - PHASE 1 - MARITIME QUARTER VISITOR FACILITY**

Consideration was given to a report which presented the revised final business case for the Maritime Visitor Facility for approval by the Committee.

**Decision**

The Committee –

1. Approved the Full Business Case for the Maritime Visitor Facility;
2. Agreed that £1.6m is drawn down from the CHORD budget allocation for provision of the Maritime Visitor Facility;
3. Instructed the Executive Director of Development and Infrastructure Services to proceed to tender for the Maritime Visitor Facility; and
4. Instructed the Executive Director of Development and Infrastructure Services to award the contract to the preferred contractor should total project costs fall within the allocated project budget.

(Reference: Reports by Executive Director – Development and Infrastructure Services dated September 2016 and Full Business Case, submitted)

**18. OBAN NORTH PIER - PHASE 2 - MARITIME QUARTER TRANSIT BERTHING FACILITY**

Consideration was given to a report which presented the full business case for the Transit Berthing Facility for approval by the Committee.

**Decision**

The Committee –

1. Approved the Full Business Case for the Transit Berthing Facility;
2. Agreed that £1.5m is drawn down from the CHORD budget allocation for provision of the Transit Berthing Facility;
3. Instructed the Executive Director of Development and Infrastructure Services to proceed to tender for the Transit Berthing Facility; and
4. Instructed the Executive Director of Development and Infrastructure Services to award the contract to the preferred contractor should the project costs fall within the allocated project budget, as augmented by any external funding.

(Reference: Reports by Executive Director – Development and Infrastructure Services dated September 2016 and full business case, submitted)

**MINUTES of MEETING of ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE  
COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD  
on THURSDAY, 10 NOVEMBER 2016**

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

Councillor John Armour	Councillor Elaine Robertson
Councillor Anne Horn	Councillor Len Scoullar
Councillor Robert G MacIntyre	Councillor Sandy Taylor
Councillor Bruce Marshall	Councillor Richard Trail
Councillor John McAlpine	Councillor Dick Walsh
Councillor Alex McNaughton	

**Also Present:** Councillor Robin Currie Councillor Roddy McCuish

**Attending:** Pippa Milne, Executive Director – Development and Infrastructure Services  
Jim Smith, Head of Roads and Amenity Services  
Fergus Murray, Head of Economic Development and Strategic Transportation  
Patricia O’Neill, Central Governance Manager  
Iain MacInnes, Digital Liaison Officer  
Julie Young, Development Manager, Argyll and the Isles Coast and  
Countryside Trust

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors David Kinniburgh, Alistair MacDougall and Aileen Morton.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTES**

The Minutes of the meeting of the Environment, Development and Infrastructure Committee held on 11 August 2016 were approved as a correct record subject to amending the word “reasonable” to “unreasonable” under item 10 (Burial and Cremation Policy), point 1, bullet point 4.

**4. ARGYLL AND THE ISLES COAST AND COUNTRYSIDE TRUST**

The Committee were given an informative presentation by Julie Young, Development Manager of Argyll and the Isles Coast and Countryside Trust. Her presentation gave an overview of the operation of the Argyll and the Isles Coast and Countryside Trust, the objectives of the Trust, its projects and who its funders were. The presentation also gave information on future/pending bids and planned future activity. Members of the Committee were given the opportunity to ask questions of the Development Manager following her presentation. The Chair thanked Julie Young for her attendance at the meeting and for her presentation.

Councillor Bruce Marshall left the meeting at this point.

**5. DEVELOPMENT AND INFRASTRUCTURE SERVICES PERFORMANCE REPORT - FQ2 2016/17**

Consideration was given to a report which presented the Committee with the Development and Infrastructure Services Performance Report and associated Scorecards for Financial Quarter 2 2016/17.

**Decision**

The Committee -

1. Noted the content of the Development and Infrastructure Services Performance Report and associated Scorecards for Financial Quarter 2 2016/17.
2. Noted that officers would take forward the actions raised by Members, and would respond to the Member who raised the action directly, in respect of capital spend on lighting, bin collection routes in Tarbert, recycling collection receptacle in Kintyre, the re-siting of glass bins at West Church, Rothesay, detail on switching from private to public water supplies; and the possibility of a presentation to members on the processes used following the collection of recycling.

(Report by Executive Director – Development and Infrastructure Services dated November 2016, submitted)

**6. PROJECTS AND RENEWABLES - SOCIAL ENTERPRISE TEAM ANNUAL REPORT 2015-16**

The Committee considered a report providing an overview of the achievements by the Social Enterprise Team over the period April 2015 to March 2016.

**Decision**

The Committee –

1. Noted the content of the report.
2. Recognised the good work of the Social Enterprise Team and the need to continue to promote the assistance the team can offer to Argyll based social enterprise.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 4 October 2016, submitted)

**7. DIGITAL INFRASTRUCTURE UPDATE**

A report providing the Committee with an update on work that was being undertaken on a number of programmes which aimed to improve the digital infrastructure across Argyll and Bute was considered.



**Decision**

The Committee –

1. Noted the content of the report.
2. Noted concerns over the limited progress that had been made to date.
3. Commended the work of Argyll and Bute Council to accelerate the progress.
4. Noted the concerns highlighted by the report and the technical difficulties faced by the infrastructure providers.
5. Noted that there would be a Members Seminar held on 5 December 2016 which would give more detailed information on Digital Infrastructure.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 3 October 2016, submitted)

**8. ARGYLL AND THE ISLES TOURISM CO-OPERATIVE UPDATE**

Consideration was given to a report which updated the Committee on the activities and achievements of the Argyll and the Isles Tourism Co-operative Ltd over the 30 month period between April 2014 and October 2016.

**Decision**

The Committee –

1. Noted the content of the report.
2. Agreed that a further report be presented to the Committee in January 2017 which would quantify the economic impact of AITC activity and achievements in terms of industry turnover, employment, international trade and gross value added.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 31 October 2016, submitted)

**9. GRASS CUTTING - PROPOSED CHANGES**

A report which set out some of the representations received following one of the services Choices policies RAMS01I (Reduce/Stop Grass Cuts) was given consideration. The report also sought approval to amend the previously adopted policy and to revert to cutting all areas previously maintained but at a reduced frequency that could be accommodated within the available budget.

The Head of Roads and Amenity Services advised that there was a typographical error in the recommendation of the submitted report. He advised that it should reference paragraph 4.5 and not paragraph 4.8.

**Decision**

The Committee -

1. Agreed that any changes to schedules must be resourced within existing budgets.
2. Noted that public representations have been made in relation to changes made in 2016/17.
3. Agreed that Area Committees agree any revisions to schedules.
4. Agreed that any changes will be agreed by no later than the February Area Committee cycle.

(Reference: Report by Executive Director – Development and Infrastructure Services dated October 2016, submitted)

\* **10. STRATEGIC ECONOMIC DEVELOPMENT ACTION PLAN**

The Committee gave consideration to a report which sought approval of the proposed Argyll and Bute Council's Strategic Economic Development Action Plan 2016-2021.

**Decision**

The Committee –

1. Noted the content of the report.
2. Noted that the Strategic Economic Development Action Plan had already been considered by all four Area Committees with appropriate members' comments being incorporated.
3. Agreed to recommend to Council that the Strategic Economic Development Action Plan is endorsed as a working document as outlined in Appendix 1 to the submitted report.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 12 October 2016, submitted)

**11. ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE COMMITTEE WORK PLAN - NOVEMBER 2016**

Consideration was given to the Environment Development and Infrastructure Committee Work Plan as at November 2016.

**Decision**

The Committee -

1. Noted the Work Plan as at November 2016.

2. Agreed to add a report on future festive lighting proposals to Committee in April 2017.
3. Agreed that a presentation on recycling processes be added to future items, the date to be determined by availability of groups to make a presentation.

(Reference: Environment, Development and Infrastructure Committee Work Plan dated November 2016, submitted)

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**ARGYLL AND BUTE COUNCIL****COUNCIL****COMMUNITY SERVICES****24 NOVEMBER 2016**

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**CHARITABLE LEISURE & LIBRARIES TRUST - FULL BUSINESS CASE**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 At the Council budget meeting in February 2016, the decision was taken to pursue and investigate the creation of a Charitable Trust (CT) to deliver Leisure & Library services in Argyll and Bute. EY was appointed through a competitive tender process to deliver a Full Business Case (FBC) to explore the service transformation options available to the Council for its Leisure and Libraries services. The FBC has now been completed and is attached for members' consideration.
- 1.2 It follows best practice set out by HM Treasury's Green Book Guidance five case model which is followed by the Scottish Government. The Economic case identified that a cost benefit analysis of the status quo compared to the transfer of services to a CT shows that the Trust option provides an indicative net benefit across a 25 year period at £8.6m in Net Present Value Terms.
- 1.3 The Commercial case identifies three options for the corporate structure of a CT and identified a Company Limited by Guarantee as the recommended option. The relationship between the Council and the CT would cover the Lease agreements for building assets, Service Level Agreements for support services, an operating agreement and the level of management fee. The Office of the Scottish Charity Regulator (OSCR) guidance mandates that the Trust Board be made up of a minority of Council elected members and a majority of independent representatives. A Board of seven individuals is recommended. With the creation of the CT and the Transfer of Undertakings, TUPE (Protection of Employment) would apply to 247 posts within the scope of the proposal, equating to 155 fte jobs.
- 1.5 The Financial case estimated the potential total of NDR and VAT savings in the first year to be in the range of £0.572m to £0.702m, and a prudent assumption of £0.636m has been applied. The estimated overall projected management fee payable to the Trust in year 1 is £5.716m.
- 1.6 The Management case sets out how the transfer to a charitable model of service delivery is achievable and can be delivered successfully. A set of key next steps are proposed and, if the FBC is approved, the implementation stage would take approximately 9 – 12 months.

1.7 It is recommended that Council:

- a) approve the Full Business Case prepared by Ernst and Young.
- b) approve that the next steps to implementation of a Charitable Trust set out in the Full Business Case be taken forward within the proposed governance arrangements.

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ARGYLL AND BUTE COUNCIL

COUNCIL

COMMUNITY SERVICES

24 NOVEMBER 2016

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**CHARITABLE LEISURE & LIBRARIES TRUST FULL BUSINESS CASE**

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**2.0 INTRODUCTION**

2.1 At the Council budget meeting in February 2016, the decision was taken to pursue and investigate the creation of a charitable trust to deliver Leisure & Library services in Argyll and Bute. EY was appointed through a competitive tender process to deliver a Full Business Case (FBC) to explore the service transformation options available to the Council for its Leisure and Libraries services. The FBC has now been completed and is attached for members' consideration.

**3.0 RECOMMENDATIONS**

It is recommended that Council:

- a) approve the Full Business Case prepared by Ernst and Young.
- b) approve that the next steps to implementation of a Charitable Trust set out in the Full Business Case be taken forward within the proposed governance arrangements.

**4.0 DETAIL**

4.1 In May 2016, EY were appointed by the Council to develop a business case that follows best practice; undertake technical analysis on the potential VAT and NDR savings; and advise the Council on how the preferred option could be implemented.

4.2 The approach to the FBC follows best practice as set out by the HM Treasury's Green Book Guidance five case model which is followed by the Scottish Government. The five cases are:-

- Strategic case – what is the case for change?
- Economic case – what is the best option for change?
- Commercial case – what is the optimal operating and commercial structure for delivery?

- Financial case – What are the financial implications of the intervention?
- Management case – how will the option for change be delivered?

4.3 A Charitable Trust is an independent, not-for-profit arm's length external organisation, widely used by Local Authorities to operate a range of public services. They offer a range of financial and commercial benefits that can help to sustain the future of these services in the face of the pressures on public spending. The scope of the services contained within the model is the four Council operated swimming pools and fitness facilities, one sports centre, nine community halls and centres, eleven libraries and one mobile service. These services are critical in helping to improve the overall health, fitness and general wellbeing of residents, and are an extensively used and valued part of community life. Delivering these services through a CT creates the opportunity for a new delivery model that can help to reduce pressures from budgetary constraints and growing customer expectations. The majority of Scottish Councils have adopted this approach for a variety of service activities. This defined scope offers the optimum benefit from economies of scale in this dispersed rural area. Some of the key benefits associated with the transfer of services to a CT include:-

- A single focused and branded body with clarity of outcomes
- Ability to diversify and react quickly to market forces
- VAT and NDR savings
- Sustainability of service provision
- Commercial revenue growth and improved financial performance
- Independence and increased access to other funding streams.

4.4 The Economic case reviewed the benefits of continuing to operate the services under the status quo compared to the transfer to a charitable organisation. The case has highlighted that the creation of a CT is the preferred option for the delivery of Leisure and Library services. The key drivers for changing the current delivery model include:-

- The potential ability to use savings for reinvestment into services and assets
- The ability to hire new skills and focus on the commerciality of the services available, allowing them to adapt improve quality
- The Council sets the strategic direction, provides oversight and ensures the trust's objectives and operational performance are aligned through its KPI regime.

4.5 When compared against the status quo, the Trust demonstrates value for money:-

- The net benefit across a 25 year period was indicatively estimated at £8.6m in NPV terms
- This financial benefit is the result of VAT and NDR savings against the additional costs of running the Trust. These savings are unlocked with



the selection of the Trust as the preferred delivery option.

- 4.6 The Commercial case examines three options for a trust structure, a company limited by guarantee; a Scottish Charity Incorporated Organisation and an Industrial and Provident Society. The company limited by guarantee is recommended and it offers the protection and familiarity of the Companies Act, supported by clear and established legal precedents over the rights and obligations placed on the board members. The Trust would be a wholly owned subsidiary of the Council and it is anticipated that there would be a charitable Trading subsidiary to undertake all non-primary purpose activities.
- 4.7 OSCR guidance mandates that the Charitable Trust Board would be made up of a minority of Council elected members and a majority of independent representatives. It is recommended that the board comprises 7 individuals. The Chair would be an independent representative and the Trade Unions could be represented. It is noted that the recruitment of the Board should be designed to ensure an optimal mix of skills and experience to create a dynamic team ethos.
- 4.8 The relationship between the Council and the Trust would have its basis through a number of contractual documents:-
- Lease agreements – ownership of the building assets will be retained by the Council and will be leased or licensed to the trust
  - SLA – the Trust will require a range of support and administration services which it will initially procure from the Council under a number of SLAs, commonly at nil cost
  - Operating Agreement – sets out the terms of the management agreement between the parties, contractual obligations, service specifications and performance information
  - Management fee – the Council would pay for the services of the Trust in the form of a management charge.

Despite the contractual basis of the relationship it is important that the Trust is supported by the Council, particularly in the early years and so the Trust must be set up in such a way that the advantages of its arms-length structure and charitable status are maximised. The maintenance agreement will be a key part of this and, typically, an agreement is reached with the responsibility for repairs and maintenance being shared, with the Trust responsible for minor works up to a pre-agreed level.

- 4.9 The FBC highlights and reinforces the message that the role of staff will be critical to the successful establishment and operation of the Trust. 247 posts are within scope of the business case and with TUPE applying staff will transfer with their existing terms and conditions of employment. The Trust will apply to be given admitted body status within the Strathclyde Pension Fund to enable employees to continue to participate in the Local Government Pension Scheme with no changes to pension provision and full service protection. It is noted that issues such as TUPE and Pensions will need to be appropriately managed.

- 4.10 The Financial case is based on the baseline budget for 2015/16 of the services in scope. The EY analysis highlights that the combined assets have an income of £2.077m and costs of £9.905m. This results in a net deficit of £7.825m.
- 4.11 The VAT position has been modelled based on a range of savings depending on the acceptance by HMRC of the proposed approach. It is critical that the VAT position is agreed with HMRC as soon as possible as it is not possible to provide certainty on the potential VAT savings until HMRC has confirmed its approval. Due to its charitable status, certain income the Trust generates will be exempt for VAT purposes under the VAT Sporting Services and Culture Services exemptions, and this can provide VAT savings in the Trust. Three scenarios were developed and the overall potential NDR and VAT savings range from £0.572m to £0.702m, with the prudent expectation being £0.636m. Taking account of non-cash item adjustments, the management fee in the first year would be £5.716m.
- 4.12 The final case, the Management case, demonstrates that the implementation of the CT is achievable and can be delivered successfully in accordance with best practice. If members approve the FBC and agree to proceed to a CT, a range of time consuming statutory and regulatory tasks are set out which will require to be undertaken. EY forecast the implementation phase in the lead up to go-live will take approximately 9 – 12 months. These workstreams include:-
- Shadow Board and Chief Officer recruitment
  - Developing legal documentation, including incorporation and constitutional papers, Asset lease agreements and Service and Support SLAs and specifications
  - Communications strategy
  - Admission to Strathclyde Pension Fund
  - OSCR application.

## 5.0 CONCLUSION

- 5.1 The FBC for the creation of a CT to deliver Library and Leisure services in the area offers a transformational opportunity to deliver quality services, enhance customer focus and deliver savings without any negative impact on frontline services. The facilities within the scope of this project are highly valued and well used by residents and visitors to Argyll and Bute and this proposal is an excellent strategic fit with the key Single Outcome Agreement objectives for the area.
- 5.2 Experience from other successful examples of this form of service delivery demonstrates that an effective working relationship between the leading personnel in the Council and the Trust is the key driver in achieving desired outcomes. It is in both parties interests to create a win-win situation for the benefit of all stakeholders and a Trusted Partner approach is essential in moving forward.

## 6.0 IMPLICATIONS

- 6.1 Policy – This proposal is a key element of SOA outcome 5 to ensure People live active, healthier and independent lives.
- 6.2 Financial - the proposal offers a prudent ongoing level of saving from NDR and VAT of £0.636m
- 6.3 Legal - The CT will require to comply with all relevant Charitable and Companies Law
- 6.4 HR – The FBC proposes no job losses and the TUPE of 247 posts to a CT
- 6.5 Equalities – The proposal complies with Equalities guidance
- 6.6 Risk – A detailed risk register will be maintained for the project implementation phase
- 6.7 Customer Service – The proposal offers the opportunity to sustain and enhance customer services

**Ann Marie Knowles**  
**Acting Executive Director of Community Services**

**Councillor Robin Currie**  
**Policy Lead for Strategic Housing, Gaelic, Community & Culture**

18<sup>th</sup> October 2016

**For further information contact:** Donald MacVicar, Head of Community & Culture  
01456604364

## APPENDICES

Appendix 1 The Full Business Case for a Charitable Leisure & Libraries Trust  
produced by EY

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# Full Business Case

Argyll and Bute Council

Charitable Leisure & Libraries Trust

11 October 2016

Ernst & Young LLP





Ernst & Young LLP Tel: + 44 (0)141 226 9000  
G1, 5 George Square ey.com  
Glasgow  
G2 1DY

**Private and confidential**

Donald MacVicar  
Argyll and Bute Council  
Kilmory  
Lochgilphead  
Argyll  
PA31 8RT

11 October 2016

Dear Donald

**Full Business Case exploring the implementation of a Leisure and Libraries Trust**

In accordance with our consultancyONE letter of appointment signed on 3 May 2016, we have prepared our Full Business Case exploring the implementation of a Charitable Leisure and Libraries Trust.

**Purpose of our report and restrictions on its use**

This report was prepared on your instructions solely for the purpose of Argyll and Bute Council and should not be relied upon for any other purpose. Because others may seek to use it for different purposes, this report should not be quoted, referred to or shown to any other parties unless so required by court order or a regulatory authority, without our prior consent in writing. In carrying out our work and preparing our report, we have worked solely on the instructions of Argyll and Bute Council and for its purposes.

Our report may not have considered issues relevant to any third parties. Any use such third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use. This report should not be provided to any third parties without our prior approval and without them recognising in writing that we assume no responsibility or liability whatsoever to them in respect of the contents of our deliverables.

**Scope of our work**

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based on inquiries of, and discussions with, management. We have not sought to verify the accuracy of the data or the information and explanations provided by management. If you would like to clarify any aspect of this review or discuss other related matters then please do not hesitate to contact us.

Yours sincerely

Philip Milne  
Partner

## Abbreviations

B/NB/PE	The Business/Non-Business/Partial Exemption calculation
CBA	Cost Benefit Analysis
Charitable Trust	Charitable Leisure and Libraries Trust
CEO	Chief Executive Officer
FBC	Full Business Case
FCA	Financial Conduct Authority
GVA	Gross Value Add
IPS	Industrial and Providential Society
KPI	Key Performance Indicator
NDR	Non Domestic Rates
NPV	Net Present Value
OBC	Outline Business Case
OSCR	Office of Scottish Charity Regulator
SCIO	Scottish Charity Incorporated Organisation
SLA	Service Level Agreement
SOA	Single Outcome Agreement
SOC	Strategic Outline Case
SORP	Statement of Recommended Practice
SPF	Strathclyde Pension Fund
The Council	Argyll and Bute Council
TUPE	Transfer of Undertakings
VAT	Value Added Tax

## Executive summary

Argyll and Bute Council (the Council) appointed EY to assist on the development of a Full Business Case (FBC) to explore a range of service transformation options within its Leisure and Libraries Service. This will focus on the creation of a Charitable Leisure and Libraries Trust (Charitable Trust), which the Council agreed to pursue and investigate in February 2016.

The FBC is structured as follows:

- ▶ Strategic Case – To confirm the strategic fit and business needs within the context of the Council.
- ▶ Economic Case – To demonstrate the options that were identified, the appraisal process undertaken and to identify the preferred option.
- ▶ Commercial Case – To set out the commercial implications in areas of corporate structure, governance, contractual arrangements and staffing considerations.
- ▶ Financial Case – To set out affordability implications of the preferred option.
- ▶ Management Case – To describe the approach to implementation of the preferred option, demonstrating the project is achievable and can be delivered successfully.

## Strategic Case for Change

Like all Local Authorities across Scotland, the Council is facing significant budgetary pressures that continues to increase on an annual basis. Delivering these services through a Charitable Trust creates the opportunity for a new delivery model that can help to reduce these pressures on Council services.

This route is well established in Scotland, with only a handful of the 32 Local Authorities not adopting this approach. By reviewing the extent of the possible Non Domestic Rates (NDR) and Value Added Tax (VAT) savings and understanding the opportunities for improving the delivery of these services, there is the expectation that the provision of these services in a more efficient manner will reduce the financial burden on the Council.

Additionally, the Council identified a number of key benefits associated with the transfer of services to a Charitable Trust, namely:

- ▶ A single focused body with clarity of outcomes
- ▶ Independence and the ability to diversify
- ▶ Less bureaucracy and greater speed of decision making
- ▶ Increased access to other funding streams
- ▶ Ability to react quickly to market forces
- ▶ VAT and NDR savings
- ▶ Commercial revenue growth
- ▶ Improved financial performance
- ▶ Sustainability of service provision.



The Council service choices programme concluded that the transfer of the Leisure and Library Services creates the opportunity for an efficient and commercially driven approach with a view of driving further financial and non-financial benefits.

## Economic Case

The Council identified an initial long list of options for the future provision of the leisure and library services. These were:

1. Status Quo
2. Transfer Halls to community ownership
3. Outsourcing Leisure Services to community enterprises
4. Outsourcing to an existing Charitable Trust

The Council discounted pursuing the transfer of some of the services to community ownership or to community enterprises. These were seen to be impractical and did not address the strategic pressures facing these services.

For this reason, and based on the precedent set by other Councils across the UK, a full options appraisal analysis has not been carried out. As a result, the Economic Case reviewed the qualitative benefits of the following two options:

- ▶ Continuing to operate the services under the status quo
- ▶ Transfer the leisure and library services to a Charitable Trust.

The outcome of the qualitative assessment of options has highlighted that the creation of Charitable Trust is the preferred option for the Leisure and Library Services. The key drivers for changing the current delivery model to that of a Charitable Trust include:

- ▶ The potential ability to use savings for reinvestment into the services and assets.
- ▶ The ability to hire new skills and focus on the commerciality of the services available, allowing them to adapt and quality to improve going forward
- ▶ The Council sets the strategic direction, provides oversight and ensures the Trust's objectives and operational performance are aligned to the Council through its KPI regime.

## Cost Benefit Analysis

A Cost Benefit Analysis of the two options has been undertaken. This demonstrates that the net benefit across a 25 year period was indicatively estimated at £8.6m in Net Present Value (NPV) terms

This financial benefit is the result of VAT and NDR savings against the additional costs of running the Charitable Trust. These savings are unlocked with the selection of the Charitable Trust as the preferred delivery option

In order to deliver these benefits the commercial issues and risks must be robustly managed and a clear financial position established by way of a Business Plan for the new entity.

## Commercial Case

With regards to the Corporate Structure, three options were identified with the ability to achieve charitable status:

1. Company Limited by Guarantee
2. Scottish Charity Incorporated Organisation (SCIO)
3. Industrial and Provident Society (IPS)

The recommended option is, similar to many other Local Authorities, for a Company Limited by Guarantee. The structure offers the protection and familiarity of the Companies Act, supported by clear and established legal precedents over the rights and obligations placed on Board Members.

Office of the Scottish Charity Regulator (OSCR) guidance mandates that the Charitable Trust Board be made up of a minority of Council Elected Members and a majority of independent representatives. A number of trusts have chosen to include an additional representative from the Trade Unions. The Chair would be an independent representative elected by the Board itself. In addition, there could be representatives from the Council Officers who would act as observers on the Board.

The Board member roles will be clearly defined in the Articles of Association and the recruitment of the Board should be designed to ensure an optimal mix of skills and experience. A formal strategic risk mitigation strategy will be regularly undertaken by the Board and its Chief Officer.

The relationship between the Council and the Charitable Trust would cover the following areas:

- ▶ Lease Agreements – ownership of the building assets will be retained by the Council and will be leased or licenced to the Charitable Trust.
- ▶ Service Level Agreements (SLA) – the Charitable Trust will require a range of support and administration services which it will initially procure from the Council under a number of SLAs, commonly at nil cost.
- ▶ Operating Agreement – sets out the terms of the Management Agreement between the Charitable Trust and the Council and includes the range of Key Performance Indicators (KPI) and the Management Fee.
- ▶ Management Fee – the Council would pay for the services of the Charitable Trust in the form of a Management Fee. This would initially be set at a rate reflecting the operational net expenditure gap transferring to the Charitable Trust but would be expected to reduce over time as the Charitable Trust improves the service offering, drives revenue and achieves operational efficiencies.

The FBC recognises that the appropriate management of staffing issues will be critical to the successful establishment and operation of the Charitable Trust. Transfer of Undertakings (TUPE) legislation will apply to staff.

## Financial Case

The Financial Case identified the following

- ▶ Savings from VAT and NDR
- ▶ Additional costs incurred by adopting a Charitable Trust
- ▶ Projected Outturn of Charitable Trust in the first year

## Savings from VAT and NDR

The preferred option will allow the Council to realise a significant Financial Savings. These savings are driven from the treatment of VAT and relief from NDR. As the Charitable Trust will have a charitable status, certain income it generates will be exempt from VAT purposes and this provides VAT savings to the Charitable Trust. The Council is currently required to charge VAT on the provision of these services, whereas the Charitable Trust will be able to treat the provision of the service as exempt for VAT purposes. The savings arise where the price charged to customers remains unchanged and the Charitable Trust is able to retain a portion of the income that the Council had to charge and account for as VAT.

Together the estimate for potential NDR savings for the first year are in the range of £0.572m and £0.702m. For the purposes of this analysis, we have applied a prudent assumption of £0.636m

## Additional Costs

A new Charitable Trust would incur costs during the initial transition. These are likely to range from £0.205m and £0.295m for expenditure such as office set up costs, legal costs, media, website and marketing. These costs will be met from existing Council resources and will therefore not be a Year 1 cost for the Trust. Additionally the Charitable Trust would incur a range of recurring annual costs. Recurring costs can range from £0.095m to £0.185m, and relate to costs such as legal, audit, marketing and insurance.

## Charitable Trust: Projected Outturn

The table below includes the projected outturn of adopting a Charitable Trust.

### Charitable Trust: Projected Year 1 Position (£000)

	Base position	Non-cash items adjustment	Recurring costs	NDR Saving	VAT Saving	Year 1
<b>Income</b>	<b>(2,077)</b>	-	-	-	-	<b>(2,077)</b>
Accounting Adjustments	1,571	(1,571)	-	-	-	-
Employee Expenses	4,107	-	-	-	-	<b>4,107</b>
Premises Related Expenditure	1,845	-	-	-	-	<b>1,845</b>
Supplies & Services	697	-	95	-	-	<b>792</b>
Support Services and Departmental Admin Charges	1,283	-	-	-	-	<b>1,283</b>
Third Party Payments	243	-	-	-	-	<b>243</b>
Transport Related Expenditure	160	-	-	-	-	<b>160</b>
NDR and VAT Savings	-	-	-	(540)	(96)	<b>(636)</b>
<b>Total Expenditure</b>	<b>9,905</b>	<b>(1,571)</b>	<b>95</b>	<b>(540)</b>	<b>(96)</b>	<b>7,794</b>
<b>Deficit</b>	<b>7,828</b>	<b>(1,571)</b>	<b>95</b>	<b>(540)</b>	<b>(96)</b>	<b>5,716</b>

Source: Argyll and Bute Council Management Accounts & EY assumptions

In year 1 the estimated management fee payable by the Council to the Charitable Trust is £5.716m.

## Management Case

To ensure the successful delivery of the Charitable Trust, the Council should develop a detailed Project Plan, setting out the tasks and time frame for implementation. These include:

- ▶ Confirmation of the underlying assets and package of services being proposed for transfer.
- ▶ Future approach to the maintenance and repairs of the Charitable Trust assets, and to capital expenditure requirements.
- ▶ Recruitment and training of both a Chief Executive Officer (CEO) and Shadow Board Members.
- ▶ Addressing the financial and administrative implications of setting up a Charitable Trust.

However, there are a number of statutory and regulatory issues that are expected to take longer to implement and should therefore be considered, these are:

- ▶ OSCR application process
- ▶ Her Majesty Revenue and Customs (HMRC) discussions on Tax matters
- ▶ Completing the TUPE transfer process.

The project will continue to be supported by strong Governance, with the Project Team reporting to the Project Board and with decisions on further approval to be made by the full Council. Effective risk management will continue through monitoring and updating the Risk Register. A suitable Contingency Plan to continue with the current service model is available, should unforeseen issues delay the implementation of the Charitable Trust.

Throughout this process regular communication with Elected Members, Council employees and service users will be essential.

## Next Steps

We would expect that the following key next steps be undertaken:

- ▶ **Commercial case**
  - ▶ Confirm the preferred approach to the Charitable Trust's legal structure.
  - ▶ Undertake Shadow Board recruitment and review Governance Arrangements.
  - ▶ Develop legal documentation including Lease Agreements, SLAs and Management Agreement.
  - ▶ Confirm approach for the provision of support services, maintenance and utilities.
- ▶ **Financial case**
  - ▶ Review the base financial position and reflect on any further amendments to this position.
  - ▶ Refine transition and recurring costs.
- ▶ **Management case**
  - ▶ Develop robust and comprehensive Project Plan.
  - ▶ Begin dialogue with OSCR and HMRC.
  - ▶ Agree Communication Strategy.

**Contents**

**1. Introduction.....1**

**2. Strategic Case.....2**

**3. Economic Case.....7**

**4. Commercial Case..... 12**

**5. Financial Case.....20**

**6. Management Case .....30**

**Appendix A Cost Benefit Analysis.....34**

**Appendix B Further board structure information.....35**

**Appendix C Illustrative Board Member Skills Matrix.....37**

**Appendix D Financial and VAT Assumptions.....38**

## 1. Introduction

The Council appointed EY to assist on the development of a FBC to explore a range of service transformation options within its Leisure and Libraries Service. This will focus on the creation of a Charitable Trust, which the Council agreed to pursue and investigate in February 2016.

The purpose of this section is to present the approach and structure implemented in the FBC.

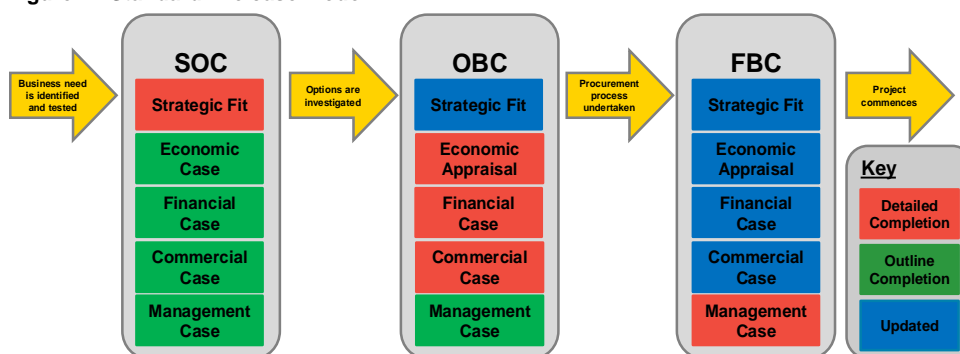
### 1.1 Approach to applying the five case model

The standard guidance requires business cases to be developed in three stages:

- ▶ Strategic Outline Case (SOC) – explore initial options
- ▶ Outline Business Case (OBC) – evaluate list of options
- ▶ FBC – develop the preferred option

This is illustrated in the following diagram:

Figure 1 - Standard five case model



Source: EY

This FBC presents a comprehensive review of the five cases, however, if the Council were to proceed with the implementation of the Charitable Trust, a final updated addendum may be desirable to capture the financial commercial and managerial position.

### 1.2 Structure of this report

The FBC is structured as follows:

- ▶ Strategic Case – To confirm the strategic fit and business needs within the context of the Council.
- ▶ Economic Case – To demonstrate the options that were identified, the appraisal process undertaken and to identify the preferred option.
- ▶ Commercial Case – To set out the commercial implications in areas of corporate structure, governance, contractual arrangements and staffing considerations.
- ▶ Financial Case – To set out affordability implications of the preferred option.
- ▶ Management Case – To describe the approach to implementation of the preferred option, demonstrating the project is achievable and can be delivered successfully.

Where appropriate, further detail on specific areas is contained in the appendices.

## 2. Strategic Case

### 2.1 Introduction

A Charitable Trust is an independent, arm's length external organisation, widely used by Local Authorities to operate a range of public services. Across the UK, local authorities are facing significant and sustained adjustments to their public sector funding. Charitable Trusts offer a range of financial and commercial benefits that can help to sustain the future of these services in light of the pressures on public spending.

The Council is exploring the future of their Leisure and Library Services and has identified a Charitable Trust as its preferred delivery option (See section 3 – Economic Case – for more information on this process).

The Strategic Case provides the strategic context behind the decision taken by the Council to review the model for the provision of the Leisure and Library Services. It provides background information on the Council and those services within scope for the Charitable Trust. Importantly, it also described the process pursued by the Council that justifies how the Strategic Case for change was established.

### 2.2 Background

Argyll and Bute is the second largest Council area in Scotland, covering almost 9% of the nation's total land area. It has the third lowest population density of all the Scottish Council areas. There are no large urban cities in the area but, there are a number of large towns including Helensburgh, Campbeltown, Dunoon, Oban, Lochgilphead and Rothesay. Populations in these towns range from over 2,500 to 15,000 people. This low population density is further complicated as nearly 20% of the population live on islands. As a result, a widespread population with no 'central' population base present a unique set of challenges for the Council in the manner in which it delivers its services.

The Council has developed a shared vision for the area. This vision is summarised in the Single Outcome Agreement (SOA), namely: *Argyll and Bute's Economic success is built on a growing population*. This vision has six key outcomes:

1. *Our economy is diverse and thriving*
2. *We have an infrastructure that supports sustainable growth*
3. *Education skills and training maximise opportunities for all*
4. *Children and young people have the best possible start*
5. *People live active, healthier and independent lives*
6. *People will live in safer and stronger communities.*

The Council provides a broad range of statutory and non-statutory services to local residents. The cost of these services are broken down in the table below:

**Table 1 - 2014/15 annual cost of service (net)**

	2014/15 £'m	2015/16 £'m
Education	104.6	123.1
Social work	61.9	66.1
Environmental	21.7	18.2
Roads and Transport	18.5	18.0
Cultural and Related	10.4	10.9
Housing (Non-HRA)	6.2	7.8
Planning and Development	5.1	6.3
Other	11.0	12.9
<b>Total</b>	<b>239.4</b>	<b>263.3</b>

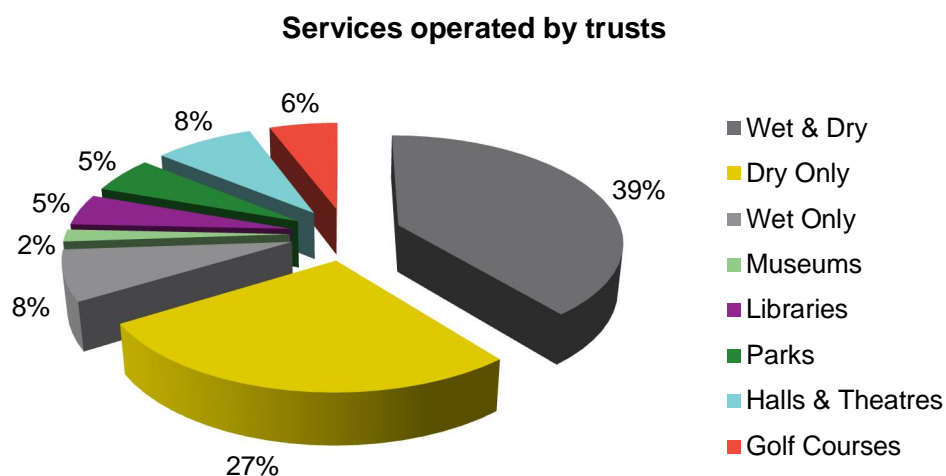
Source: Argyll and Bute Council – Annual Accounts for the year ended 31 March 2015 and 31 March 2016 (unaudited)

The cost of these services in 2014/15 was £239.4m and £263.3m in 2015/16. This represents a 10% increase in the cost of services in 2015/16, a trend that is difficult to sustain in light of significant budgetary pressures facing the Council and other Councils across Scotland. This trend is further exacerbated when the Scottish Government announced that there would be a further 3.5% cut to local government revenues for 2016/17. This sharpens the focus of local government funding and the future of the Leisure and Library Services for Argyll and Bute.

The 'Cultural and Related' services cost of £10.4m represent approximately 4.1% of the total cost of the total Council services in 2015/16. This constitutes a significant proportion of the services proposed for transfer, as well as a number of playing fields and parks that will remain under Council control. A small proportion of the assets earmarked for transfer are accounted for under the "Education" category.

## 2.3 Services proposed to be delivered by the Charitable Trust

The extent of the services delivered by a Charitable Trust can be wide ranging. The chart below illustrates the percentages of facilities managed by trusts in England, Wales and Scotland, based on a 2010 survey of 34 Charitable Trusts.

**Figure 2 - services operated by trusts**

Source: Winckworth Sherwood "Trusts for Big Society" (2010)

The survey highlights that the largest proportion of Charitable Trusts contains wet and/or dry facilities, i.e. leisure facilities contain swimming pools and other leisure facilities. However, there is a growing trend for Charitable Trusts to operate a wider portfolio of services, including



halls, theatres and libraries. For this reason, the Council is not only exploring the transfer of leisure services, but also a range of libraries, halls and community centres.

The current service provision is split into a number of different areas, namely, leisure (both wet and dry), community halls and libraries.

## 2.3.1 Leisure Services

The Leisure Services within the Council consist of a number of swimming pools and fitness facilities, providing services to customers across the area. The facilities transferring to the Charitable Trust include:

- ▶ Aqualibrium
- ▶ Helensburgh Pool
- ▶ Riverside Leisure Centre
- ▶ Rothesay Leisure Pool
- ▶ Mid Argyll Sports Centre

The Atlantis Leisure Centre in Oban is run as a social enterprise. Whilst it receives an annual grant from the Council, it is operated independently by the local community and is therefore not included within the scope of services for the transfer to the Charitable Trust.

These leisure facilities provide customers with accessible and professional services. The services aim to help improve the overall health, fitness and general wellbeing of the community in order to assist the Council in realising its full potential while achieving best value for their customers. These are used extensively and are a valued part of the community.

## 2.3.2 Halls and Community Centres

There are nine community halls and centres operated by the Council. These are:

- ▶ Queens Hall – Dunoon
- ▶ Victoria Hall – Campbeltown
- ▶ Victoria Halls – Helensburgh
- ▶ Ramsay Hall
- ▶ Corran Halls
- ▶ Kintyre Community Education Centre
- ▶ Lochgilphead Community Centre
- ▶ Dunoon Community Centre
- ▶ Moat Centre – Rothesay

These range from small village halls, such as Islay's Ramsay Hall, to large music and cultural venues like Dunoon's Queens Hall. The halls provide a range of community, health and tourism services for the local communities.

### 2.3.3 Libraries

The Council provides a free and comprehensive library services to the area. This includes:

- ▶ Eleven libraries within Campbeltown, Cardross, Dunoon, Helensburgh, Lochgilphead, Oban, Rosneath, Rothesay, Tarbert, Tobermory and Tiree
- ▶ A library headquarters
- ▶ One mobile library vehicle.

It provides a range of extensive service to people of all ages and social backgrounds. Services include, access to a wide range of lending materials; promoting learning and development programmes to encourage reading and promote literacy; supporting those in education or undertaking research and providing free internet and wireless access in all libraries. Library facilities are increasingly being used as a community hub by a wide range of local groups.

## 2.4 Financial position of the assets

In the year 2015/16 Leisure and Library Services recorded a net deficit of £7.828m, summarised below.

**Table 2: Annual Leisure, Library and other community services Financial Position 2015/16**

	Leisure £'000	Libraries £'000	Halls and other community services £000	Total £'000
Income	1,176	117	784	2,077
Expenditure	(5,230)	(2,141)	(2,486)	(9,905)
<b>Total Surplus / (Deficit)</b>	<b>(4,054)</b>	<b>(2,024)</b>	<b>(1,701)</b>	<b>(7,828)</b>

*Source: Argyll and Bute Council*

The combined service generated £2.077m in income and cost £9.905m to run.

The Council, like a number of Local Authorities, is seeking to review alternative methods for providing Leisure and Library Services to the local community. This focus is driven by the fiscal pressures the Local Government sector continues to face and the increased demands on resources. As such, there is a need to establish delivery models that can provide more sustainable services. Reviewing the provision of the Leisure and Library Services was viewed as one possible mechanism to help achieve these savings.

## 2.5 Strategic Case for Change

Maintaining the quality of these services in the future is challenging. The Leisure and Library Services require ongoing maintenance to sustain standards. Additionally customer expectations are on the rise and complying with health and safety standards is paramount. Maintaining or increasing current income levels with a reducing and ageing population presents a significant challenge to the service. Additionally, undertaking marketing and promotion of venues is proving difficult in an increasingly competitive environment.

During the summer of 2015, information was presented to Elected Members' Service Choices working group outlining options for sustaining the level of Leisure and Library Services provided by the Council. This summarised the budgetary pressures facing the Council and introduced a different proposal to explore the implementation of a Charitable Trust.

In recent years, the Council has undertaken a number of cost savings reviews:

- ▶ In February 2011, a review of the Culture, Leisure and Libraries Service targeted savings of £509k (an 11.6% budget reduction). These savings were targeted over a two year period until April 2013.
- ▶ In February 2013, a further saving of 3.9% was targeted for the financial year 13/14.

Over both of these reviews, staff savings were identified and restructuring took place, particularly at a management level where a leaner structure was implemented. Other efficiency savings were adopted, for example, adjusting service opening hours. At this stage, it was decided that the transfer of Leisure and Library Services to a Charitable Trust would not be brought forward.

During the 2015/16 Service Choices process, the option to transfer community halls, swimming pools and fitness facilities to a Charitable Trust was re-examined. The Council undertook an in-house review of potential savings and concluded that up to £500k of NDR savings could be made (potential VAT savings were not quantified). To meet any further savings target it was identified that price increases and a review of opening hours would be amongst the options required. This high level estimate was viewed as an initial benchmark of best case savings it could expect to make.

Additionally, the Council identified a number of key benefits associated with the transfer of services to a Charitable Trust, namely:

- ▶ A single focused body with clarity of outcomes
- ▶ Independence and the ability to diversify
- ▶ Less bureaucracy and greater speed of decision making
- ▶ Increased access to other funding streams
- ▶ Ability to react quickly to market forces
- ▶ VAT and NDR savings
- ▶ Commercial revenue growth
- ▶ Improved financial performance
- ▶ Sustainability of service provision.

The Council report concluded that the transfer of the Leisure and Library Services creates the opportunity for an efficient and commercially driven approach with a view to driving further financial and non-financial benefits. Further information on the appraisal process is described in section 3.

## 2.6 Summary

Like all Local Authorities across Scotland, the Council is facing significant budgetary pressures that continues to increase on an annual basis. These pressures are exacerbated, particularly within the Leisure and Library Services, when there is an expectation that these services need to improve to satisfy growing customer expectations.

Delivering these services through a Charitable Trust creates the opportunity for a new delivery model that can help to reduce these pressures on the Council's services. This route is well established in Scotland, with only a handful of the 32 Local Authorities not adopting this approach. By reviewing the extent of the possible NDR and VAT savings and understanding the opportunities for improving the delivery of these services, there is the expectation that the provision of these services in a more efficient manner will reduce the financial burden on the Council.

### 3. Economic Case

#### 3.1 Introduction

The purpose of the Economic Case is to develop our understanding and establish the value for money comparison of two shortlisted options:

1. Continuing with the existing model of service provision
2. Transfer to a Charitable Trust.

This will be demonstrated through a qualitative assessment of the options and a cost-benefit analysis of the Charitable Trust to demonstrate value for money.

#### 3.2 Description of the delivery models

The Council identified an initial long list of options for the future provision of the Leisure and Library Services. These were:

**Table 3 - Short list of options**

Option	Description
<b>Status Quo</b>	Under the status quo, the existing arrangements would remain the same. The Council would continue to provide the services as part of its current remit.
<b>Transfer Halls to community ownership</b>	With the exception of Rothesay Pavilion, all community halls would be owned and operated by the local community.
<b>Outsource leisure services to community enterprises</b>	Outsource leisure services, through a series of SLA's to community enterprises including MACpool, MacTaggart Leisure Centre and Atlantis Leisure.
<b>Outsource to a Charitable Trust</b>	Under this option, the services would be transferred to a wholly owned, not-for-profit Charitable Trust.

*Source: Argyll and Bute Council*

The Council discounted pursuing the transfer of some of the services to community ownership or to community enterprises. These were seen to be impractical and did not address the strategic pressures facing these services.

Additionally, a further option was discounted that involved implementing individual Charitable Trusts on a geographical basis. There are significant logistical and financial drawbacks associated with setting up separate entities to manage individual assets. Any economies of scale associated with a central entity would be lost and the significant additional financial costs would likely outweigh any expected financial savings. Additionally, there may be deliverability problems associated with hiring the appropriate number of independent members with the necessary skills and experience for multiple trusts.

For this reason, and based on the precedent set by other Councils across the UK, a full options appraisal analysis has not been carried out. As a result, the Economic Case will review the qualitative benefits of the following two options:

- ▶ Continuing to operate the services under the status quo
- ▶ Transfer the Leisure and Library services to a Charitable Trust.

### 3.2.1 Operate the services based on the status quo

Under the option, the Leisure and Library Services would continue to run as fully integrated services delivered by the Council. Like all Council services, they will be subject to the same budgetary pressures and expected spending.

There are a number of perceived advantages and disadvantages of operating the assets as the status quo.

**Table 4 - Advantages and disadvantages of the status quo**

<b>Advantages</b>	<p>There is the opportunity to have direct control over the strategic direction of the services</p> <p>It is unlikely that there would be any political or reputational impact resulting from changing the way these services operate</p>
<b>Disadvantages</b>	<p>There is an inability to adapt to future spending pressures</p> <p>Expected reduction in frontline services due to the ongoing public sector funding cuts</p> <p>There is limited opportunity to improve the commercial offering and deliver an enhanced service due to funding constraints.</p> <p>Providing a clear strategy and vision for these services may not be a priority in the face of pressures on other Council services.</p> <p>Increased probability of reduced opening hour or price increases, given the budgetary pressures.</p> <p>Limited access to further or private sector funding</p> <p>Unable to benefit from NDR or VAT savings</p>

*Source: EY Analysis*

### 3.2.2 Leisure and Libraries Trust

A Charitable Trust is a not-for-profit organisation set up by a local authority to manage a range of cultural and leisure facilities. A Charitable Trust of this type is run as a separate charitable company from the Local Authority with a Governance Board made up of Elected Members, employees and Community Representatives.

The creation of a Charitable Trust is a well-established delivery model, with a significant range of benefits over the status quo. In Scotland, a significant number of Local Authorities have developed Charitable Trusts for the management of their leisure and/or culture services with the size, scale and detailed operation varying depending on each council's circumstances.

As a Charitable Body, the trust can take advantage of savings on NDR. Additionally, as the Charitable Trust will have a charitable status, certain income it generates will be exempt for VAT purposes and therefore will provide partial exemption VAT savings.

The majority of leisure and library facilities require subsidy to a greater or lesser degree, so it is normal for Local Authorities to fund the operating deficit by way of a management charge which represents the cost of the Charitable Trust providing services on behalf of the Council.

Contrary to public opinion, Charitable Trust status is not a form of privatisation. The Council retains control and ownership of the assets and, being the main funder, has continuing major influence over policy.

From an operational perspective, the Charitable Trust would deliver the services through the existing staff base who would transfer from the Council to the trust on the basis of TUPE from the Council to the Charitable Trust. The structural changes associated with the development of a Charitable Trust have a number of potential advantages to the Council. The table below provides a summary of the relative advantages and disadvantages:

**Table 5 - Advantages and disadvantages of a Charitable Trust**

<b>Advantages</b>	<p>Less bureaucracy and greater speed of decision-making</p> <p>Improved management structure and the ability to incorporate greater levels of commercial acumen and entrepreneurial flair.</p> <p>Increased access to small and other charitable funding streams</p> <p>The ability to leverage VAT and NDR savings</p> <p>Independence and ability to diversify</p> <p>Increased community involvement in the decision-making process</p> <p>Increased prospect of additional funding sources such as National Lottery Funding or private funding</p>
<b>Disadvantages</b>	<p>Less direct Council control over the strategic direction of these services</p> <p>Without adequate communication, there is the potential for political or reputation ramifications if the transfer of services is negatively construed.</p>

*Source: EY Analysis*

There are clear and wide ranging benefits to the creation of a Charitable Trust.

### 3.3 Cost Benefit Analysis

The outcome of the qualitative assessment of the options has highlighted that the significant advantages offered by the transfer to a new charitable organisation makes it the preferred option. In the paragraphs below we have conducted a Cost Benefit Analysis (CBA) against the status quo to consider the value for money implications of implementing the new delivery model. Costs and revenues are analysed further in the Financial Case.

The analysis is calculated using the Net Present Value of the costs and benefits. This discounts the value of a future cash flow back to present terms. This accounts for the impact of inflation and other financial impacts on cashflows.

#### 3.3.1 Costs

The creation of the new Charitable Trust would result in additional running costs and one off transition costs which will need to be taken into consideration when analysing against the base case. These costs have been estimated as:

- ▶ Transition costs – between £0.205m and £0.295m
- ▶ Recurring costs – between £0.095m and £0.185m.

These costs ranges are based on EY's experience of other Leisure Trusts and the Council's own view of likely costs. For more information on the makeup of these costs, see section 5. For the purpose of the CBA we adopted the upper end of the range for the transition costs and the lower end of the range for recurring costs. This reflects the Council's view on the expected costs.

#### 3.3.2 Benefits

The CBA considers two main areas of financial benefits – NDR and VAT.

##### 3.3.2.1 NDR

The NDR savings assume that the Charitable Trust will be a registered charity and that the application to OSCR for charitable status will be approved. The detailed NDR savings are set out the Financial Case.

##### 3.3.2.2 VAT

It is expected that the Charitable Trust will have a charitable status and consequently certain income it generates will be exempt for VAT purposes under the VAT Sporting Services and Culture Services exemptions, and this can provide VAT savings to the Charitable Trust. The Financial Case details the approach to calculation of VAT savings.

### 3.3.2.3 Operational Efficiency Savings

As part of moving to a Charitable Trust model, there is the potential to realise a level of operational savings driven from either an increase in revenues and /or a reduction in costs. This is based on the track record of other similar Charitable Trusts. However, these savings are not guaranteed and at this stage of the business case process, have not yet been developed. For the purpose of this CBA, to ensure a prudent result, no efficiency savings have been factored into the analysis.

### 3.3.2.4 Additional local and national economic benefits

The final aspect to be considered in a CBA is the local and national benefits arising from the change in the service delivery such as additional jobs and Gross Value Added (GVA) to the economy. The FBC is based on the continued delivery of a set of services and accordingly we consider there to be no additionality between the options, in both terms of direct and indirect GVA to the economy.

## 3.3.3 Analysis of Costs and Benefits

The following table summarises the CBA calculation associated with the transfer to a charitable organisation compared to the status quo. The analysis has been undertaken over 25 years due to the long term nature of the assets under review, applying the HM Treasury Green Book discount rate of 3.5% real. For further details on the calculations can be found at Appendix A.

**Table 6: Cost Benefit Analysis: 25 years**

	Nominal Operational Annual Charge (£'000s)	Nominal Total (£'000s)	Net Present Value (NPV) (£'000s)
Cost	95	2,670	1,851
Benefit	636	15,900	10,482
<b>Net Benefit</b>	<b>541</b>	<b>13,230</b>	<b>8,631</b>

Source: EY Analysis

The results of the CBA show that setting up the Charitable Trust shows clear net benefit of £8.6m in NPV terms over 25 years in comparison to the current position and £3.2m in nominal terms. A levelised annual benefit in nominal terms is estimated at £0.541m per annum reflecting the net gain from the NDR and VAT savings and additional costs of the Charitable Trust delivery structure. The CBA results are indicative and will be subject to a detailed business planning process should the Council proceed with implementing the Charitable Trust model.

In the above analysis, no optimism bias has been included. This is deemed appropriate due to the following reasons:

- ▶ **Costs:** The figures being used for the costs have been calculated based on benchmarking to the current market against similar sized Charitable Trusts in Scotland.
- ▶ **Benefits:** The only benefits which have been included in our analysis relate to tax and NDR efficiencies, these have been calculated based on the current tax laws and therefore deemed to be factual and no bias adjustment is required. It has not taken into account potential operation efficiencies or the potential for increased commercial return.

Sensitivity analysis has been carried out on the length of time included in the NPV calculation and the probability of realising the full tax efficiencies. There is no adjustment to cost in this analysis. These have been selected as possible scenarios if the tax rules are changed, therefore a short term NPV analysis should be reviewed to ensure it still has a positive net benefit. These have been summarised in the table below:

**Table 7: Sensitivity Analysis**

Sensitivity of NDR and VAT savings	5 year NPV (£'000s)	10 year NPV (£'000s)	25 year NPV (£'000s)
100% Probability	2,157	4,214	8,631
80% Probability	1,583	3,156	6,535
60% Probability	1,008	2,098	4,438

Source: EY Analysis

The results show that there is a projected positive net benefit in all the scenarios within a range £1m and £8.6m. No efficiency savings are assumed for the purpose of the CBA.

The CBA supports the qualitative assessment preferred option of the charitable organisation by providing a tangible net benefit in financial terms.

### 3.4 Summary

The Economic Case has highlighted that the creation of Charitable Trust is the preferred option for the delivery of the Leisure and Library services. The key drivers for changing the current delivery model to that of a Charitable Trust include:

- ▶ The potential ability to use savings for reinvestment into the services and assets.
- ▶ The ability to hire new skills and focus on the commerciality of the services available, allowing them to adapt and quality to improve going forward
- ▶ The Council sets the strategic direction, provides oversight and ensures the Trust's objectives and operational performance are aligned to the Council through its KPI regime

When compared against the status quo, the Charitable Trust demonstrates value for money:

- ▶ The net benefit across a 25 year period was indicatively estimated at £8.6m in NPV terms
- ▶ This financial benefit is the result of VAT and NDR savings against the additional costs of running the Charitable Trust. These savings are unlocked with the selection of the Charitable Trust as the preferred delivery option.

The option of establishing the Charitable Trust is now progressed to the financial, commercial and management cases in the remaining sections of this report.



## 4. Commercial Case

### 4.1 Introduction

In this case, a number of different considerations regarding the future commercial and operating structure of the Charitable Trust will be developed.

The purpose of this section is to:

- ▶ Develop analysis regarding important commercial and operating considerations for the Charitable Trust.

The assessment will be informed by:

- ▶ A discussion regarding the Charitable Trust structure, Governance and Commercial Arrangements
- ▶ A description of the issues related to the provision for support services and repairs and maintenance arrangements
- ▶ Regulatory and staffing arrangements

### 4.2 Charitable trust structure

The key issues to consider on formation of the Charitable Trust are:

- ▶ The type of charitable organisation to set up
- ▶ The type of corporate structure to choose
- ▶ Registration and ongoing regulation formalities of the charity.

#### 4.2.1 Options

There are a number of different options typically considered for Charitable Trusts, for example:

1. Company Limited by Guarantee
2. SCIO
3. IPS

These are examined below.

#### 4.2.2 Option 1: Company Limited by Guarantee

A Company Limited by Guarantee is the most common structure usually employed when creating a new charity. The key features of this structure include:

- ▶ It is incorporated under the Companies Act 2006 without issuing shares but instead the Member guarantees a sum of money in the event of insolvency (typically £1)
- ▶ It gives the company, and its Members, limited liability in respect of the debts and obligations of the company
- ▶ The Directors have duties and responsibilities under the Companies Acts and additional duties as trustees once the company is a registered charity

- ▶ It is regulated by both the Companies Act and OSCR.

After incorporation, an application to OSCR will be made to obtain charitable status. Once the Charitable Trust is formed it would enter into a number of agreements with the Council including the Leases/Licences, the SLA and the Operating Agreement. The directors will have to comply with both the requirements of the Companies Act and OSCR.

There are a number of advantages to this option:

- ▶ Protection and familiarity of the Companies Act.
- ▶ Supported by clear and established legal precedents over the rights and obligations placed over the member of the board.

However, there are disadvantages of this structure, such as:

- ▶ Separate registration is required under Companies Act and under OSCR requirements.
- ▶ Reporting requirements apply under both regulatory regimes.
- ▶ Board members act as Directors under Companies Act and as Trustees under OSCR regulations.

#### 4.2.3 Option 2: Scottish Charity Incorporated Organisation

The SCIO is a new legal form of charity available in Scotland which was introduced in April 2011. As with a Company Limited by Guarantee, the SCIO is a corporate body and so can hold property and enter into contracts in its own name. The members of the SCIO also have the benefit of limited liability.

The purpose of the SCIO was to create a corporate model that is specifically tailored to the requirements of the charity sector and allows charities access to the benefit of limited liability whilst simplifying the regulatory framework. The key features of this structure include:

- ▶ OSCR is responsible for granting both charitable status and a corporate identity at the same time
- ▶ SCIOs are governed solely by Scottish Charity legislation and not governed by the Companies Act.

The benefits of a SCIO when compared with a Company Limited by Guarantee are considered to be:

- ▶ A simpler registration process in relation to charitable status and incorporation, as OSCR grants charitable status and a corporate identity simultaneously
- ▶ A simpler regulatory regime, as the reporting requirements are those that apply to Scottish charities and avoids reporting to both Companies House and OSCR
- ▶ The legal framework governing SCIOs is simpler in comparison
- ▶ The duties of charity trustees have been simplified, so the trustees are only subject to the requirements of Scottish charities legislation.

However, there are disadvantages of a SCIO structure, such as:

- ▶ A key downside of the SCIO is that it is not incorporated under the Companies Act and therefore is not afforded the same legislative protection. Similarly, the SCIO is a new structure and the processes required for certain circumstances may not have precedent to rely upon.

- ▶ A SCIO must have at least two members, which differs from the company structure, which only requires a sole member. In practice, this means the Council will need to set up a nominee company to constitute the second member. The SCIO's constitution can be drafted so that the Council has the sole power to appoint the board. Additional administration would be required to set up a nominee company but, thereafter, the ongoing administration should be minimal as the nominee company would not be active.
- ▶ The application to register a SCIO must be made by at least two individuals and not corporate bodies. The Council, and the nominee company, would be admitted as members at a later point. This can be accommodated by having provisions in the Charitable Trust constitution, stating that as soon as the Council and the nominee company are admitted as members, the two initial individual members, cease to be members.
- ▶ SCIOs can be removed from the Scottish charity register by OSCR, which would automatically prompt the entity to cease as a corporate body. Conversely, if a company limited by guarantee is removed from the Scottish charity register there would be no effect on it continuing to exist as a legal entity. Practically, it would be highly unlikely that OSCR would proceed with the dissolution of a SCIO without first carrying out detailed enquiries and without having compelling reason for taking such action.
- ▶ A SCIO is unable to grant a floating charge security over its assets. SCIOs are, however, able to grant fixed charges securities over assets, such as land or buildings, similar to a company. Typically, this is not a problem as all the Charitable Trust's major assets would be owned by the council and leased to the Charitable Trust.

#### **4.2.4 Option 3: Industrial and Provident Society**

An IPS is similar to a company but is governed by different legislation and is incorporated through the Financial Conduct Authority (FCA) rather than under the Companies Act. IPSs can be used for charitable purposes provided they can demonstrate they are for "community benefit". The key features of an IPS structure include:

- ▶ Registered under the Industrial & Provident Societies Act 1965
- ▶ Corporate bodies with limited liability
- ▶ Qualify for registration if conducting a business or trade established for the benefit of the community.

The IPS legislative framework and registration system do, however, lag behind company law. From a structural perspective, it offers no advantages over a Company Limited by Guarantee or SCIO structure and, as such, is rarely used by local authorities developing a Charitable Trust.

#### **4.2.5 Other considerations - Charitable Trading Subsidiary**

Irrespective of which option is chosen, it is anticipated that the Charitable Trust will require a Charitable Trading Subsidiary to undertake all non-primary purpose activities. These include all activities that do not fall squarely within the charitable objectives of the organisation (e.g. bar, café and rental of business spaces).

The Council should note that the creation of a Charitable Trading Subsidiary may result in additional burden on the financial and legal work streams. This should be considered prior to implementation.

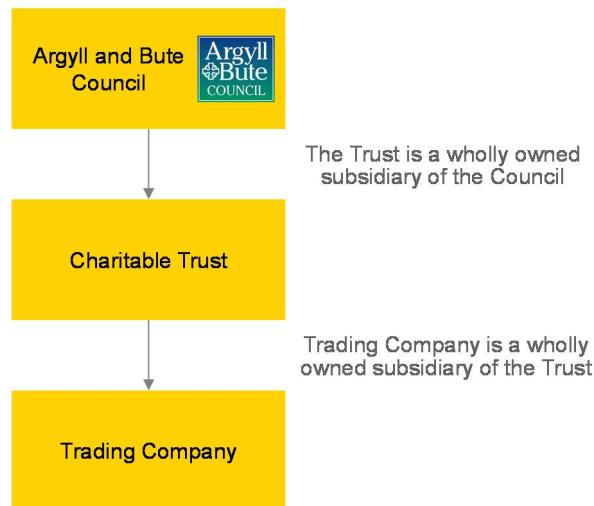
#### **4.2.6 Recommendation**

Local Authorities would commonly adopt a Company Limited by Guarantee status as well as the Charitable Trading Subsidiary. The structure offers the protection and familiarity of the

Companies Act, supported by clear and established legal precedents over the rights and obligations placed on the members of the Board.

An organisational structure that adopts this approach is defined in the following diagram.

Figure 3 - Proposed organisation structure



Source: EY

### 4.3 Charitable Trust board and governance

As part of the future governance structure of the Charitable Trust, the size and structure of the board of directors should be established. A detailed discussion of these points is contained within Appendix B. The following narrative highlights the commonly adopted principles.

OSCR guidance mandates that the Charitable Trust Board be made up of a minority of Council Elected Members and a majority of independent representatives. We would recommend that the board is made up of seven individuals. Three of these would be elected members, with the remaining four independent members making up the majority. A number of Trusts have chosen to include an additional representative from the Trade Unions. The Chair would be an independent representative elected by the Board itself. In addition, there could be representatives from the Council Officers who would act as observers on the board. We anticipate that these positions would be voluntary, however, it is likely that a small budget will be needed to compensate board members for expenses.

The recruitment of the board should be designed to ensure an optimal mix of skills and experience. If the Council takes the decision to proceed with the Trust, there would be value in exploring implementing the recruitment process as early as possible. The board would normally be recruited prior to the go live date of the Charitable Trust and will therefore act as a "shadow" board between recruitment and commencement of operations. An illustrative skills matrix showing the desirable attributes is shown in Appendix C based on EY's experience of what works well elsewhere.

### 4.4 Council and Charitable Trust: Commercial Arrangements

The relationship between the Council and the Charitable Trust would have its basis through a number of contractual documents:

- ▶ Lease Agreements – ownership of the building assets will be retained by the Council and will be leased or licenced to the Charitable Trust.

- ▶ SLA – the Charitable Trust will require a range of support and administration services which it will initially procure from the Council under a number of SLAs, commonly at nil cost.
- ▶ Operating Agreement – sets out the terms of the management agreement between the Charitable Trust and the Council and includes the range of KPI's and the Management Fee.
- ▶ Management Fee – The Financial Case demonstrates that the operations being transferred to the Charitable Trust operate with a net expenditure which would require external funding for the Charitable Trust to be financially viable. Consequently, the Council would pay for the services of the Charitable Trust in the form of a management charge. This would initially be set at a rate reflecting the operational net expenditure gap transferring to the Charitable Trust but would be expected to reduce over time as the Charitable Trust improves the service offering, drives revenue and achieves operational efficiencies.

Despite the contractual basis of the relationship between the Council and the Charitable Trust, it is important that the Charitable Trust is supported by the Council, particularly in the early years and so the Charitable Trust must be set up in such a way that the advantages of its arms-length structure and charitable status are maximised.

#### 4.4.1 Support Services

The provision of support services to the Charitable Trust is another important consideration. It is expected that these services will encapsulate a number of different services including HR, Finance and Legal services.

There are different service delivery options for the provision of support services.

- ▶ Council retains control - the responsibility for delivering these services may be retained by the Council. All services are provided to the Charitable Trust for nil cost. There are a number of financial benefits from adopting this position, developed in the financial case.
- ▶ Control transfer to the Charitable Trust - alternatively, there are also significant commercial advantages for passing on responsibility of these services to the Charitable Trust. The Charitable Trust may decide to continue to utilise Council services for an agreed fee. Alternatively, it may also look to third party providers or hire their own specialist support.

There is also the option to adopt a hybrid approach where the Trust retains control for elements of the support service, while larger support roles are retained by the Council. For example, it may be beneficial for the Trust to have control over some finance and HR functions.

There are also legal implications when deciding who should retain responsibility for these services. For this reason, we recommend that the Council work with their legal advisors on this matter.

#### 4.4.2 Maintenance Options

One of the key aspects of a Charitable Trust is that the Council retains ownership of the assets. Therefore, it is in the interest of the Council to maintain these assets. Other authorities have deemed it prudent to commit a portion of the expected annual NDR/VAT savings to a planned maintenance regime. This helps to bring the assets to standard base condition and would allow them to improve over time.

The initial maintenance options are based on whether the maintenance is supplied by the Council to the Charitable Trust or procured directly by the Charitable Trust:

- ▶ **Option 1: Council delivery.** All necessary capital and maintenance works are delivered through the Council for no charge to the Charitable Trust. This approach allows the Council to reclaim the VAT incurred on the related expenditure where it relates to the

Council's non-business activities. In this scenario, where the Council does not charge the Charitable Trust for these works there is no direct effect on the Management Fee.

- ▶ **Option 2: Charitable Trust delivery.** If the Charitable Trust is given responsibility for all necessary capital and maintenance works this would mean that the Charitable Trust would incur expenditure and accordingly would require the payment of a higher management fee from the council to the Charitable Trust to balance the income and (higher) expenditure. The Charitable Trust will not be in a position to reclaim all the VAT incurred on the spend.

The advantages and disadvantages of the two different maintenance options are shown in the following table:

**Table 8 - Advantages and disadvantages of maintenance options**

Option	Advantages	Disadvantages
<b>Option 1:</b> Maintenance responsibility is retained within the Council	The Council can reclaim the VAT on capital expenditure.	Charitable Trust does not have control of its own maintenance regime and cannot act independently.
<b>Option 2:</b> Maintenance responsibility is transferred to the Charitable Trust	Charitable Trust has control of its own maintenance regime and can operate independently of the Council. Other advantages of this approach include; flexibility, prioritisation of repairs and the ability to adapt to changing customer demand.	The Charitable Trust is liable for the VAT and cannot reclaim the VAT in full.

Source: EY analysis

The implications of Option 2 are that the Charitable Trust will suffer a partial VAT cost on any capital works or repairs and maintenance obligations. Where the Charitable Trust has a VAT recovery position of 50% recovery this will result in a 10% VAT cost.

Typically, we would see a Charitable Trust and council reaching agreement that the responsibility for repairs and maintenance is shared. In this circumstance, the Charitable Trust is normally responsible for minor works up to a pre-agreed council limit, for example £5,000. This allows the Trust to benefit from the advantages noted above, for example, carrying out basic repairs (such as repairs to lighting) without having to approach the council every time repairs of this nature are required. Using this agreement, the Council remains responsible for large capital expenditure and therefore limits irrecoverable VAT.

This is particularly relevant if the Charitable Trust wants to invest in significant amounts of capital works or asset enhancement. If this responsibility sits with the Charitable Trust, there could be significant VAT liabilities arising on large value investments. The Council should consider reviewing the asset base, undertake stock condition surveys and start to consider how these arrangements will form part of any management arrangements.

The Charitable Trust may be able to procure external contractors at a more competitive rate reducing the price differential, subject to compliance with procurement rules and so allowing the Charitable Trust to have control of its maintenance regime may be achievable without a material financial impact on the Council.

If the preferred option is approved by the Council, a decision on the approach to maintenance delivery and funding would be required during the development phase.

#### 4.4.3 Key Performance Indicators

The Charitable Trust should measure, monitor and analyse performance in order to ensure best practice and the highest levels of delivery. The Council has an established framework of performance indicators that help to align and quantify the strategic priorities of its services. The Council has developed its service plans which capture all the relevant service KPI's. These are organised within corporate themes, and includes KPI's such as "Raised lifelong

*participation levels in sport and physical activity to enable us to lead more active healthier lives”, which would continue to be relevant to the Trust.*

The Charitable Trust should also have a process in place that allows management to monitor progress. The use of KPIs is critical to this process as they are:

- ▶ A powerful tool which ensures an improving standard of delivery
- ▶ A means of actively measuring customer and employee satisfaction
- ▶ Enables the Council to measure and appraise the Charitable Trust based on performance

The KPIs are used to ensure the progress of the Charitable Trust by actively managing and communicating with customers, staff, management and the Charitable Trust Board. It should form part of the formal management reporting including:

- ▶ Monthly overview by Charitable Trust Board
- ▶ Periodic Council meetings
- ▶ An Annual Report for the Council

The monitoring of KPIs should be linked to a Continuous Improvement Plan and reflected in the Charitable Trust Business Plan, setting out commitments to continuous improvement and targets that offer positive benefits. It should be reviewed annually in line with the Charitable Trust Business Plan.

Where performance is below target, or can be improved, the Charitable Trust should be required to develop action plans to be implemented and monitored to improve identified areas of weakness/improvement. This is particularly important as a number of Local Authorities that have recently implemented Charitable Trusts have undertaken benefit realisation exercises post implementation to review the success of the process.

During the preparation of the Business Plan, the Charitable Trust and the Council would agree a suitable set of KPI's with which to measure performance.

## **4.5 Staffing considerations**

The role of staff will be critical to the successful establishment and operation of the Charitable Trust. Staffing issues such as TUPE and pensions will need to be appropriately managed.

### **4.5.1 Transfer of Undertakings**

With the creation of the Charitable Trust, there are TUPE (Protection of Employment) implications for the Council. All staff wholly or mainly assigned to the “transferable role” will move to the Charitable Trust.

Staff will transfer with their existing terms and conditions of employment under TUPE. This includes:

- ▶ Current salary
- ▶ Hours of work
- ▶ Sick Pay
- ▶ Continuous service



- ▶ Annual leave and public holiday entitlement
- ▶ Working hours as per employment contract

If the Council was to approve the implementation of the Charitable Trust, obtaining legal advice on this area will be essential.

## 4.5.2 Pensions

The Charitable Trust will apply to be given admitted body status within the Strathclyde Pension Fund (SPF). This would enable Charitable Trust employees to continue to participate in the Local Government Pension Scheme with no changes to pension provision and full service protection.

By entering SPF as an admitted body, the Charitable Trust would be committing to all terms that need to be met by the employer. SPF has a structured process that the Council and Charitable Trust will need to follow before any firm commitment can be given and this process can take between three and six months.

As far as we are aware all other councils who have set up a Charitable Trust have been successful in achieving admitted body status.

We have not included any additional employer pension contributions expenses. Employer contribution rates will be determined by the Pension Fund's actuary. These rates will be reassessed on periodic basis, as determined by the pension fund agreement between the Trust, SPF and the Council. In our experience with other local authorities, there have been no significant changes to the employer pension contribution expenses from moving to this new model. However, we're aware that if the Council was to proceed with the Charitable Trust, a significant number of employees would be effected. As such, it would be prudent for the Council to further refine all likely recurring costs during the implementation process (if approved).

## 4.6 Summary

This section has set out the commercial case of applying a Charitable Trust structure as the model to deliver Leisure and Library Services.

The structural options for the Charitable Trust were set out and the recommendation is that a Company Limited by Guarantee be used. This company would have a Board of Directors comprising Elected Members and Independent Members, with an Independent Member taking the Chair. The main Commercial Arrangements between the Council and the Charitable Trust would cover areas such as a lease arrangement (ensuring the ownership of assets remains with the Council), SLA and operational agreements and setting a Management Fee.

The appropriate management of staffing issues will be critical to the successful establishment and operation of the Charitable Trust.

The Management Case considers how these issues should be taken forward as part of the wider project management and planning approach.



## 5. Financial Case

### 5.1 Introduction

The Financial Case has been prepared to present the projected year one financial position for the Charitable Trust. It has been prepared in line with the following underlying assumptions.

- ▶ The financial position for the Leisure and Library Services for the year 2015/16
- ▶ Adjustments to the 2015/16 financial position to reflect specific expected actual financial position of the Charitable Trust in year one
- ▶ A review of the expected NDR and VAT savings from these services.

### 5.2 Financial Position for FY15/16

To understand the potential financial advantages of the Council creating a Charitable Trust, a baseline financial position has been established. This is based on the 2015/16 financial information for the Leisure and Library Services. The financial position is set out below.

**Table 9: Annual Leisure, Library and other community services Financial Position 2015/16**

	Leisure £'000	Libraries £'000	Halls and other community services £000	Total £'000
Income	<b>(1,176)</b>	<b>(117)</b>	<b>(784)</b>	<b>(2,077)</b>
Accounting Adjustments	732	190	649	1,571
Employee Expenses	2,373	912	823	4,107
Premises Related Expenditure	1,076	274	495	1,845
Supplies & Services	309	303	85	697
Support Services and Departmental Admin Charges	687	334	262	1,283
Third Party Payments	68	21	154	243
Transport Related Expenditure	35	107	19	160
Expenditure	<b>5,279</b>	<b>2,141</b>	<b>2,486</b>	<b>9,905</b>
<b>Total (Surplus) / Deficit</b>	<b>4,103</b>	<b>2,024</b>	<b>1,701</b>	<b>7,828</b>

Source: Argyll and Bute Council

The analysis highlights that the combined assets have income of £2.077m and costs of £9.905m. This results in a net deficit of £7.828m.

### 5.3 Charitable Trust: Projected year one financial position

The first year of trading of the Charitable Trust will reflect a number of adjustments from the financial position in 2015/16. These adjustments reflect the following factors:

- ▶ Removal of non-cash items in order to establish the underlying operational performance excluding accountancy adjustments such as depreciation.
- ▶ Inclusion of additional costs in respect of the new Charitable Trust structure:
  - ▶ One off transition costs for setting up the Charitable Trust
  - ▶ Recurring annual operational costs

- ▶ Recognition of the savings generated by the Charitable Trust in respect of NDR and VAT.
- ▶ A full list of all the financial assumptions is contained in Appendix D.

**Table 10: Charitable Trust: Projected Outturn Year 1**

	Base position	Non-cash items adjustment	Recurring costs	NDR Saving	VAT Saving	Year 1
<b>Income</b>	<b>(2,077)</b>	-	-	-	-	<b>(2,077)</b>
Accounting Adjustments	1,571	(1,571)	-	-	-	-
Employee Expenses	4,107	-	-	-	-	<b>4,107</b>
Premises Related Expenditure	1,845	-	-	-	-	<b>1,845</b>
Supplies & Services	697	-	95	-	-	<b>792</b>
Support Services and Departmental Admin Charges	1,283	-	-	-	-	<b>1,283</b>
Third Party Payments	243	-	-	-	-	<b>243</b>
Transport Related Expenditure	160	-	-	-	-	<b>160</b>
NDR and VAT Savings	-	-	-	(540)	(96)	<b>(636)</b>
<b>Total Expenditure</b>	<b>9,905</b>	<b>(1,571)</b>	<b>95</b>	<b>(540)</b>	<b>(96)</b>	<b>7,794</b>
<b>Deficit</b>	<b>7,828</b>	<b>(1,571)</b>	<b>95</b>	<b>(540)</b>	<b>(96)</b>	<b>5,716</b>

Source: Argyll and Bute Council Management Accounts & EY assumptions

The overall impact of making these adjustments is to project an underlying deficit of £5.716m. There are a number of significant observations that this analysis presents:

Our analysis indicates that there will be an annual net saving of £0.541m when accounting for the recurring costs (this is the difference between the annual NDR and VAT savings and the annual recurring costs).

### 5.3.1 Adjustment for non-cash items

An adjustment has been made for all the non-cash items in the analysis. This provides an indication of the underlying cash position from service operations. It separates out the impact of accountancy adjustments such as depreciation from the operational performance. This approach allows the Council to understand how the financial position drives the requirement for a management fee from the Trust which is based on operation performance. Historical debt costs would remain as a corporate cost to the Council.

Adjustments have been made for staff costs of £1.571m.

### 5.3.2 Transition costs

The new Charitable Trust is likely to incur a range of one-off transition costs. These will be incurred during the process of establishing the Trust in the first year. The costs have already been included in the Council's revenue budget. As such, the Trust will not be responsible for incurring these costs out of its first year budget. These costs are likely to include:

- ▶ All IT costs associated with a new website, equipment and other consumables
- ▶ Marketing, branding and communication strategy
- ▶ Other office set up costs

- ▶ Corporate Governance costs – costs including company registration, trustee insurance and shadow Board Governance training
- ▶ Council advisory costs - financial and legal advisor costs.
- ▶ Staff costs including recruitment expenses and relocation costs etc.

Based on our experience of costs associated with similar Trust's in the past, we have identified the following range of costs:

**Table 11 - transition costs**

Category	Low	High
	£000	£000
IT	25	45
Marketing, branding and communication	50	75
Other office set up costs	5	15
Corporate governance costs	5	10
Council advisory costs	110	130
Staff costs	10	20
<b>Total</b>	<b>205</b>	<b>295</b>

Source: EY

The Council has taken a prudent position and modelled the high range of costs in the Financial Case.

Our analysis indicates that there will be an initial payback period of six months for the first year transition costs when compared against the NDR and VAT savings currently available.

### 5.3.3 Ongoing recurring costs

In addition to the one-off transition costs, the Trust is also likely to incur recurring annual costs. A range of costs have been shown in the table below:

**Table 12 - recurring costs**

Category	Range	
	Low £000	High £000
Marketing	20	50
External Auditors	10	20
Legal and Regulatory costs	10	30
Trustee Expenses (insurance, expenses, recruitment)	5	10
Management Structure	50	75
<b>Total</b>	<b>95</b>	<b>185</b>

Source: EY

Unlike the transition costs, the recurring costs have been modelled at the lower range.

### 5.3.4 NDR and VAT Savings

The VAT position has been modelled based on a range of savings depending on the acceptance by HMRC of the proposed approach. It is critical that the VAT position is agreed with HMRC as soon as possible as it is not possible to provide certainty on the potential VAT savings until HMRC has confirmed its approval to the proposed arrangements. The underlying assumptions for each scenario have been summarised below:

**Table 13: Summary of differences between cases**

Responsibility For	Scenario 1	Scenario 2	Scenario 3
Utilities	Trust	Council	Trust
Repairs & Maintenance	Trust	Council	Trust
Support Services	Council	Council	Trust

Source: EY VAT Analysis

We have modelled the analysis to present a range of potential savings scenarios for the Charitable Trust.

Where utilities, repairs and maintenance and support services are the responsibility of the Trust, this limits VAT savings by increasing irrecoverable VAT. VAT savings increase where responsibility for utilities, repairs and maintenance or support services remain with the Council.

Where a service is provided by the Council, it is expected the costs will be incurred by the Council whilst the benefit from these services will be transferred to the Charitable Trust for nil consideration. When the service is incurred directly by the Trust for a consideration, the Trust is expected to meet the costs of these services internally.

The VAT savings are calculated by using the Council's actual figures from 2015/16. The analysis has been based on the VAT treatment of income and expenditure provided by the Council and subsequent discussions with the Council's finance officers.

The three scenarios can be described as follows:

- ▶ Scenario 1 – A prudent case for NDR and VAT savings
- ▶ Scenario 2 – An upside sensitivity.
- ▶ Scenario 3 – A downside sensitivity

A breakdown of the range of possible annual NDR and VAT savings of these options is included in the following table along with an indication of additional Trust related costs:

#### 5.3.4.1 Scenario 1

Scenario 1 calculates that the total NDR and VAT savings are £0.636m. This is based on the Charitable Trust incurring costs for repairs and maintenance and utilities while the Council provides support services for no charge.

**Table 14: Scenario 1 (£000)**

	NDR Savings	VAT Savings	Irrecoverable VAT	Total
Archives	-	-	-	-
Community Lettings	-	7	(3)	4
Sports Programmes	-	-	-	-
Community Centres & Halls	127	22	(12)	137
Libraries	132	-	(39)	93
Sports Facilities	281	206	(84)	403
<b>Total</b>	<b>540</b>	<b>235</b>	<b>(139)</b>	<b>636</b>

Source: EY VAT Analysis

### 5.3.4.2 Scenario 2

Scenario 2 calculates that the total NDR and VAT savings are £0.702m. This is based on the assumption that the Council takes responsibility for repairs, maintenance, utilities and support services associated with the Trust's assets. It then provides the services to the Charitable Trust for no charge. This outcome will be pursued by the Project Board in order to maximise potential savings. However, as this position has not been agreed with HMRC, scenario 1 (the prudent position) has been modelled in financial case.

**Table 15: Scenario 2 (£000)**

	NDR	VAT savings	Irrecoverable VAT	Total
Archives	-	-	-	-
Community Lettings	-	7	(3)	4
Sports Programmes	-	-	-	-
Community Centres & Halls	127	22	(8)	141
Libraries	132	-	(37)	95
Sports Facilities	281	206	(25)	462
<b>Total</b>	<b>540</b>	<b>235</b>	<b>(73)</b>	<b>702</b>

Source: EY VAT Analysis

### 5.3.4.3 Scenario 3

The down side scenario calculates that the total NDR and VAT savings is £0.572m. This is based on the assumption that the Trust contracts out the repairs, maintenance, support services and the utilities services. As a result, they would only be partially recoverable for VAT purposes.

**Table 16: Scenario 3 (£000)**

	NDR	VAT savings	Irrecoverable VAT	Total
Archives	-	-	-	-
Community Lettings	-	7	(5)	2
Sports Programmes	-	-	-	-
Community Centres & Halls	127	22	(17)	132
Libraries	132	-	(71)	61
Sports Facilities	281	206	(110)	377
<b>Total</b>	<b>540</b>	<b>235</b>	<b>(203)</b>	<b>572</b>

Note: Excludes risk allowance of £85,000, further detail on this is provided in the paragraph below.

Source: EY VAT Analysis

The savings shown in scenario 3 do not include the impact of HMRC refusing to accept that the management charge can be treated as notional taxable income for calculating VAT

recovery. We have not had experience of HMRC's refusal in this area, and there is case law (the cases of Edinburgh Leisure, South Lanarkshire Leisure and Renfrewshire Leisure - EDN 03/22, 03/29 and 03/30) which supports utilising the management charge as notional taxable income; however, this must specifically be agreed with HMRC. We estimate that the impact of this risk would be in the region of £0.085m.

#### 5.3.4.4 Summary

In summary, there are potential NDR and VAT savings ranging from £0.572m to £0.702m, with the prudent expectation being £0.636m.

#### 5.3.5 VAT savings

It is expected that the Charitable Trust will have charitable status and consequently certain income it generates will be exempt for VAT purposes under the VAT Sporting Services and Culture Services exemptions, and this can provide VAT savings in the Trust. The Council is currently required to charge VAT on the provision of these services, whereas the Trust should be able to treat the provision of the services as exempt for VAT purposes. The savings arise where the price charged to customers remains unchanged and the Trust is able to retain the portion of income that the Council had to charge and account for as VAT.

This can be best demonstrated with a simple example. The Council charges £5 for admission to swimming £5 includes 83p of VAT – the net receipt is £4.17. The Trust charges £5 for admission to swimming £5 is exempt from VAT – the net receipt is £5. Saving is 83p.

**Table 17: VAT Example**

VAT Example	£
<b>Status Quo</b>	
Admission for Swimming	£5.00
VAT Element (20%)	£0.83
<b>Net Receipt</b>	<b>£4.17</b>
<b>Charitable Trust</b>	
Admission for Swimming	£5.00
VAT (exempt)	£0.00
<b>Net Receipt</b>	<b>£5.00</b>
<b>Saving</b>	<b>£0.83</b>

Source: EY

Where the Charitable Trust provides services to the general public free of charge there will be non-business use of those assets. As the Charitable Trust does not benefit from the Council's s.33 VAT Act 1994 status, the Charitable Trust is required to restrict the proportion of the VAT it incurs on expenditure where it is not used for taxable business purposes. Where the Charitable Trust undertakes activities that are exempt from VAT, it will require the Trust to restrict a proportion of the VAT it incurs on expenditure.

The Business/Non-Business/Partial Exemption calculation (B/NB/PE) will determine how much VAT the Trust is entitled to reclaim. The restriction used for the purposes of the analysis is based on a combination of the Council's data and our experience of what Charitable Trusts will typically realise once they go live. Should the Council decide to proceed with a Charitable Trust, a sectorised B/NB/PE will be calculated and a position for the Charitable Trust as a whole will need to be agreed with HMRC.

Some sporting activities delivered by the Council are funded by grants as typically the users are not charged for the provision of the leisure service. The analysis has also been based on the Council continuing to receive the grant funding. The Council continues to act as the principal subcontracting the management and delivery of the relevant projects to the

Charitable Trust. Where this is the case the Charitable Trust will need to ensure the correct VAT treatment is applied to its supply of services to the Council. The VAT position will need to be considered on a case by case basis to determine whether it is a non-business grant arrangement or it should be treated as a taxable service.

### 5.3.6 Savings Identified

#### 5.3.6.1 Leisure

The VAT savings identified for leisure are based on the Charitable Trust being able to apply the VAT Sporting Services Exemption with no non-business use of the sports venues (with the exception of Oban Sport's Field).

The VAT savings identified for Leisure are based on the following income streams:

**Table 18: Income Streams**

Ref	Income Stream
62120	Club Bookings
62123	School Swimming Income
62128	Swimming Lesson Income
62129	Fitness Class Income
62140	Leisure Membership Fee
62141	Leisure General Admissions
62150	Hire Facilities
62172	Pitch Lets

Source: EY/Argyll and Bute Council

#### 5.3.6.2 Archives

There are no VAT savings associated with the Archives as there is no income associated with the Archives Centre. There will be no irrecoverable VAT cost for the Charitable Trust, as the Charitable Trust will manage the Archives service under a fully taxable SLA with the Council.

#### 5.3.6.3 Community Lettings

There are VAT savings in relation to the Community Lettings facility as the Council lets pitches which should qualify for the VAT Sporting Services Exemption with no non-business use of the venues.

There will be an additional irrecoverable VAT cost for the Charitable Trust, as the Charitable Trust is not entitled to recover VAT in relation to exempt activities.

There are no NDR savings in relation to these venues as these are not owned by the Council.

#### 5.3.6.4 Sports Programmes

There are no direct VAT savings achieved in relation to transferring the Sports Development services to Charitable Trust. There may be a wider operational benefit to transferring the services from a strategic fit perspective.

The transfer of the Sports Development service may improve the Charitable Trust's B/NB/PE position depending on the method agreed with HMRC as it could provide additional taxable income in the Charitable Trust where the Charitable Trust organises, manages and facilitates the delivery of the programme on behalf of the Council under a taxable service agreement with the Council.

Where Charitable Trust provides instruction, coaching or education services as part of this programme the VAT treatment of these services should be treated as exempt for VAT

purposes. This will result in an additional irrecoverable VAT cost for the Charitable Trust as the Charitable Trust is not entitled to recover VAT in relation to exempt or potentially non-business activities.

#### **5.3.6.5 Community Centre & Halls**

There may be VAT savings in relation to the Community Centre & Halls where the Charitable Trust undertakes performances which qualify for the VAT Culture Services Exemption. There are also VAT savings in relation to the letting of sporting facilities.

There will be an additional irrecoverable VAT cost for the Charitable Trust, as the Charitable Trust is not entitled to recover VAT in relation to exempt activities.

#### **5.3.6.6 Libraries**

There are no VAT savings associated with the libraries as they generate relatively little external income, the majority of which is taxable sales of books or outside the scope of VAT fines and grants. There will be an additional irrecoverable VAT cost for the Charitable Trust, as the Charitable Trust is not entitled to recover VAT in relation to non-business activities.

Please note that the Macmillan Project will be taxable as the Council will retain the grant funding and contract with the Charitable Trust to run the service

#### **5.3.6.7 Key Assumptions**

The VAT savings identified are dependent on confirming the VAT treatments applied with HMRC. This will be updated for the final business case addendum and business plan.

#### **5.3.7 NDR position**

We estimate that the Trust could realise NDR savings in the region of £0.540m per annum.

The NDR savings assume that the Trust will be a registered Charity and that the application to OSCR for charitable status will be approved.

The NDR savings are based on the total NDR costs for each venue discounted by the 5% discretionary relief that the Council will be required to fund.

The figures assume that the Trust is able to obtain the full 100% discretionary relief on each of the venues. To achieve this, the Trust needs to occupy the venue and it will need to be used *'wholly or mainly for charitable purposes'*.

Where the Trust is unable to obtain the 100% discretionary relief this will directly impact on the NDR savings that can be achieved. At this stage it is not possible to confirm whether or not the Charitable Trust will be able to achieve the 100% discretionary relief. This analysis is commonly undertaken during the implementation phase.

#### **5.3.7.1 Community Empowerment (Scotland) Act 2015**

The Community Empowerment (Scotland) Act allows Local Authorities to create localised NDR relief schemes. Local authorities are able to grant the relief to any type of ratepayer or for any reason, granted to a sole property, a street, a town centre or a particular type of business or sector. We understand that the Council has sought clarification on whether the legislation would allow the Council to benefit from the NDR savings without implementing a Charitable Trust. We recommend that advice on the application of this legislation is sought from a legal advisor. However, we have informally spoken with legal advisors and understand, however, that this is not the case.

Our understanding is that a Local Authority has to account to Scottish Government for the gross amount of NDR due (i.e. including any NDR the Council has elected to waive). As a result, there would be no net benefit to the Council. Additionally, the s140 discretion (in



accordance with the Act) could be challenged by way of judicial review. This would subsequently wipe out any gains accrued.

Furthermore, the legal view was that, if the Council were found to be giving rates relief to connected entities and not to others, this could be seen as an irrational or unlawful exercise of discretion. This is intensified due to the requirement to give regard to income/expenditure and taxpayer's interests when exercising their discretion. This could mean that a taxpayer's alliance group might have standing to raise a challenge as well as businesses who had not been granted relief.

By contrast, we consider that, the Charitable Trust approach is tried and tested and is based on a rationale that appears to be defensible.

### **5.3.7.2 Key Assumptions**

The NDR savings identified are dependent on confirming the application of the 100% discretionary relief with the Rates Assessor. A specific area of focus for the Assessor will be those facilities with Dual Use, and an adverse outcome in this area could reduce the level of NDR savings. The treatment of these assets is therefore considered to be an area of financial risk. Ultimately the level of NDR savings should be agreed by the Rates Assessor.

### **5.3.8 Capital expenditure**

The financial position highlighted above does not contain any depreciation expenses. A significant area of cash flow demand can be the need to incur substantial capital expenditure. Such expenditure is commonly excluded from the Management Fee paid by the Council to the Charitable Trust, accordingly separate arrangements are required. Such arrangements can include the Council incurring the expenditure or for the Charitable Trust to borrow and spend.

There are a number of planned capital projects that have not been adjusted for in the financial position. However, the future operating position of these assets should be considered when the Council is setting the management charge. These projects are:

- ▶ The landmark £18m leisure centre and swimming pool (including flood defences and public realm) in Helensburgh has not been included in this analysis. Given the long term nature of this project, it is considered prudent not to include the income, expenditure and possible NDR and VAR savings associated with this venue.
- ▶ Additionally, Queens Hall in Dunoon is currently undergoing an £8.5m refurbishment. For prudence, we have not adjusted the 15/16 actual position for any uplift in revenues or changes to underlying business rates.
- ▶ We have assumed that the Atlantis Leisure centre will continue to receive the grant funding it currently receives from the Council. This arrangement is not expected to be impacted by the implementation of a Charitable Trust.

### **5.3.9 Other Exceptional Events**

There were a number of minor closures to leisure facilities during the year. However, we understand that there were no material exceptional events that would require the financial position to be adjusted.

## **5.4 Funding Strategy**

The Funding Strategy for the Trust covers two areas. Firstly, the ability to meet day-to-day revenue funding requirements, and secondly, delivering any capital funding needs. The revenue funding gap, identified as the net expenditure figure in section 5.3, would be met by the Council's Management Fee. Additionally, any capital funding requirements, for example any significant repairs or maintenance demands would be met by the Council's Capital Budget.

The Charitable Trust, however, presents the opportunity for the Trust to explore alternate funding streams that are less assessable to the Council. This may take the form of grants or donations, which would benefit from additional tax relief through the gift aid system. This will enhance the value of any donations. Although this income would not represent the majority of the Trust's income, other Charitable Trusts have seen their income supplemented in this way.

## 5.5 Summary

In this section, the base financial position of the future operating model has been established. The financial projections reflect:

- ▶ The 2015/16 financial outturn of £7.828m total net expenditure for the Leisure and Library Services.
- ▶ The first year financial position of the Charitable Trust has been established after making adjustments for recurring costs of £0.095m.
- ▶ We would also expect there to be transition costs in the region of £0.295m
- ▶ The Charitable Trust would be expected to make savings in respect of NDR and VAT of between £0.572m and £0.702m. For the purposes of this analysis we have applied a prudent assumption of £0.636m saving.
- ▶ The Charitable Trust Option therefore generates a first year operating deficit of £5.716m

## 6. Management Case

### 6.1 Introduction

The purpose of this section is to:

- ▶ Demonstrate that the implementation of the Charitable Trust is achievable and can be delivered successfully in accordance with accepted best practice.

The assessment will be informed by:

- ▶ The phase two Project Plan and Outline
- ▶ The proposed Governance Structure and legal implications
- ▶ The current Risk Register and proposed Communication Plan.

### 6.2 Project Plan

Once a decision is taken regarding the implementation of the Charitable Trust, a detailed Project Plan is required that identifies the key tasks and likely timescales needed for implementation.

Before the creation of a detailed Project Plan there are a number of statutory and regulatory issues that are expected to take longer and should therefore be considered. These are:

- ▶ Implementing and carrying out an effective communication process, both internally to Council employees and externally to end users, can take between four to six months to undertake. This will include Trade Union consultation.
- ▶ Developing legal documentation, including Lease Agreements, Management Agreements and Transfer and Service agreements, can take up to three months to complete.
- ▶ OSCR application and approval. Similar Charitable Trusts have taken up to six months for the OSCR application to be approved.
- ▶ Admissions to the Strathclyde Pension Fund. Given the structured process that the Council and Charitable Trust will need to follow before any firm commitment can be given, this process can take between three and six months.
- ▶ Preparation of a Trust Business Plan that captures all the decisions taken during this process and sets out the Trust's expected operating position.

Operational factors that require to be addressed include:

- ▶ Confirmation of the underlying assets and package of services being proposed for transfer.
- ▶ Future approach to the maintenance and repairs of the Charitable Trust assets, and to capital expenditure requirements.
- ▶ Recruitment and Training of CEO and Shadow Board Members. Including job advertisement, recruitment and training, this process would be expected to take a significant period of time. Given the prominence of the CEO's role and the likely notice period individuals may face prior to taking up this role, this process would take at a minimum three months.

- ▶ Addressing the financial and administrative implications of setting up a Charitable Trust. For example, in our experience setting up bank accounts for the Charitable Trust can take longer than expected, given the stringent “know your client” procedures banks have to undertake.

In our experience, we would expect that Brodies, as your specialist legal advisors, will provide assistance to the in house expertise with the following areas:

- ▶ Preparation of incorporation and constitutional documents
- ▶ Creation of Asset Lease Agreements
- ▶ Creation of SLA

Based on our experience working with other Local Authorities, implementation can take up to 9 - 12 months from the date of Council approval. A recent example would be Angus Council where the decision to approve the creation of a Charitable Trust was taken in December 2014. The Charitable Trust subsequently went live on the 1 December 2015.

The timetable should be developed if the Council proceeds to implement the Charitable Trust.

### 6.3 OSCR

Upon incorporation, the new company would submit its application to OSCR for charitable status. A number of considerations must be taken into account before this application process begins:

- ▶ In order for the Charitable Trust to meet the ‘charity test’, it should ensure that it charitable objectives and goals in addition to providing benefits to the public.
- ▶ As the Charitable Trust will be run by a board that will include a majority of independent trustees, it will potentially result in a change of control for the council.
- ▶ Similar Charitable Trusts have typically taken up to six months for this application process to be approved. This should be factored into the project plan to ensure the Charitable Trust is established within an appropriate timeframe.

There are also additional financial and administration considerations for the Council that they must consider upon a successful OSCR application. A separate set of Charitable Trust charitable accounts must be produced that complies with the charities Statement of Recommended Practice (SORP). The Council must ensure that there are adequate in-house technical resources in place to produce these accounts, or consider the addition costs of outsourcing this service.

### 6.4 Risk Register

The Project Team should develop and manage a detailed Risk Register for the Project. The effective identification, quantification and monitoring of risk is a critical part of effective project delivery.

### 6.5 Contingency plan

Should a Charitable Trust not be implemented a Contingency Plan would be needed. This would be based on the current model continuing in its present format with the increased budgetary pressures that are likely to impact the future level of service provision.

### 6.6 Communication Plan

Successful implementation of a new mode of service delivery will require clear and regular communications. These communications will be required with all stakeholders, including:

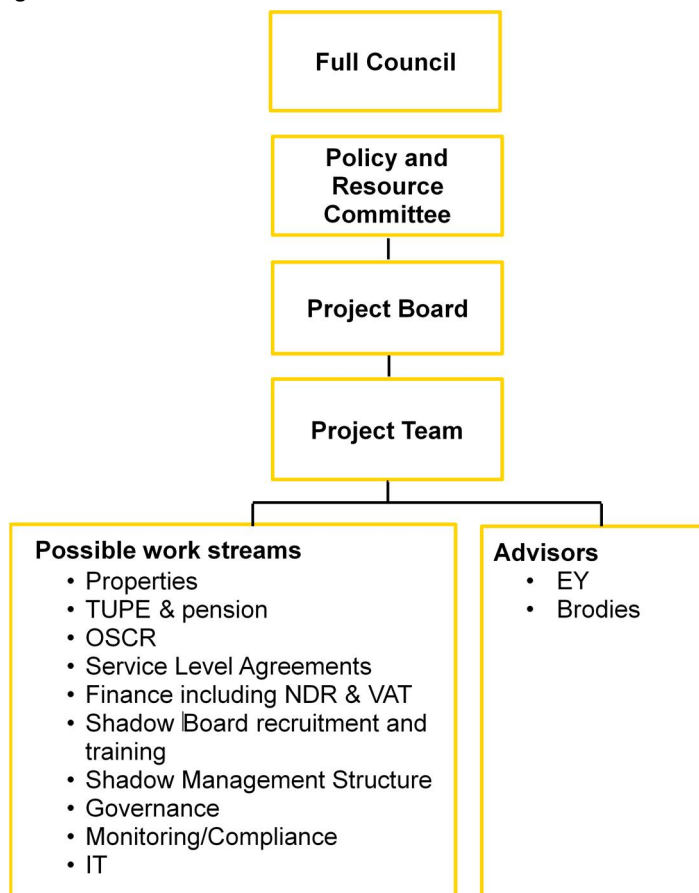
- ▶ Elected Members
- ▶ Council employees
- ▶ Service users

A Communications Plan will look to provide regular updates on progress and to allow stakeholders to raise questions with the Council. The Council is also likely to receive enquires from the media and accordingly the Press Team should be kept regularly briefed.

## 6.7 Governance Structure

The following Governance Structure illustrates the proposed involvement of the Council. The structure follows the best practice approach adopted to date, with a Project Team supported by advisors reporting to an overall Board and overseen by Full Council.

Figure 4 - Proposed governance structure



Source: EY

The Full Council will ultimately be responsible for approving the FBC to implement a new model of service provision.

## 6.8 Summary

The Management case has set out how the transfer to a Charitable Trust model of service delivery is achievable and can be delivered successfully. A number of factors that should be used to prepare a detailed Project Plan if the Council decides to approve the implementation of the Charitable Trust. This sets out a challenging set of tasks that will take a significant period of time to implement. We have highlighted tasks that will take a longer period, primarily regulatory activities associated with OSCR applications, discussions with HMRC on tax matters and meeting the requirements of TUPE legislation.

The Project will continue to be supported by strong Governance, with the Project Team reporting to the Project Board and with decisions on further approval to be made by the full Council. Effective risk management will continue through monitoring and updating the Risk Register. A suitable Contingency Plan to continue with the current service model is available, should unforeseen issues delay the implementation of the Charitable Trust.

Throughout this process regular communication with Elected Members, Council employees and service users will be essential.

## 6.9 Next Steps

Should the Council decide to approve the implementation of a Charitable Trust, there are a number of next steps that should be considered. A list of the time consuming tasks is noted in section 6.2. We would expect, however, that the following key next steps be undertaken:

- ▶ **Commercial case**
  - ▶ Confirm the preferred approach to the Charitable Trust's legal structure.
  - ▶ Undertake Shadow Board recruitment and review Governance Arrangements.
  - ▶ Develop legal documentation including Lease Agreements, SLAs and Management Fee.
  - ▶ Confirm approach for the provision of support services, maintenance and utilities.
- ▶ **Financial case**
  - ▶ Review the base financial position and reflect on any further amendments to this position.
  - ▶ Refine transition and recurring costs.
- ▶ **Management case**
  - ▶ Develop robust and comprehensive Project Plan.
  - ▶ Begin dialogue with OSCR and HMRC.
  - ▶ Agree communication strategy.

# Appendix A Cost Benefit Analysis

**Cost Benefit Analysis - Argyll and Bute Council**

Discount Rate	3.50%																													
	NPV 25	NPV 10	NPV 5	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	
					£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
<b>Benefits</b>																														
NDR and VAT savings:	636	10,482	5,289	2,872	15,900	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	
Probability	0%	10,482	5,289	2,872	15,900	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	
Efficiencies		0	0	0	0																									
	10,482	5,289	2,872	15,900	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	636	
<b>Cost</b>																														
Additional Trust Costs	95	1,566	790	429	2,375	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	
One off costs		285	285	285	295	295	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	1,851	1,075	714	2,670	390	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	95	
Net benefit		8,631	4,214	2,158	13,230	246	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	541	
Probability Sensivity																														
A - 0%		0%																												
B - 20%		20%																												
C - 40%		40%																												
Scenario in use	A - 0%																													
		25 year	10 Year	5 Year																										
A - 0%		8,631.48	4,214.26	2,157.62																										
A - 0%		8,631.48	4,214.26	2,157.62																										
B - 20%		6,535.03	3,156.39	1,583.30																										
C - 40%		4,438.58	2,098.51	1,008.99																										

## Appendix B Further board structure information

### Introduction

The Council is proposing to set up a Charitable Trust to deliver Leisure and Library Services. It is likely it will be the form of a Company Limited by Guarantee, which is registered as a Charity. This new company will require a separate Board of Directors/Trustees; these will come from one of the three categories:

- ▶ Elected Members of the Council;
- ▶ Officers of the Council;
- ▶ External from the council with the appropriate skills and interest.

This paper will discuss the required mix between the categories above. The Board would also have an appropriate skills mix; this is not considered here although is connected to the illustrative skills matrix at Appendix C.

These individuals will be company Directors in the terms of company law, and trustees for the purposes of charity law. In this paper, Directors will be used to capture both.

### Considerations

#### *Conflict of interest*

It is likely that Directors will need to make decisions in situations where the interest of the company and those of the Council may not be aligned. This could give rise to a conflict of interest.

Both from a company law and charity law perspective, the Directors/Trustees must put the interests of the company first. If a board member cannot, then he or she must not take part in any discussion or decision on the matter.

On the other side of the equation, for Elected Members the Councillor's Code imposes the "duty to act in the interests of the council as a whole and all the communities serviced by it". This could create tensions for those Board Members who are Elected Members of the Council. The conflict rules could mean that Elected Council Members would be unable to participate in the decision making process.

As a result, if all the Directors had a relation to the Council the Board could cease to become functional. Therefore it is recommended that the board includes Directors who are independent from the Council.

On appointment of the Directors, it is important for them to fully understand their requirements and duties as a Director and be provided with training and guidance on how to handle any potential conflict of interest.

#### *Size of the Trust Board*

There is no defined guidance for the Board size. It is considered important to have the correct balance between having enough appropriately skilled board members able to engage in meaningful debate, while not having overly large, unwieldy and inefficient board. There is no set pre-specified number of directors required and the number does not need be fixed for all time if experience shows that more or fewer directors would be preferable.

In our experience a Board of 7 would seem appropriate for the Charitable Trust on this occasion.



## ***OSCR guidance***

The Scottish charity regulator, OSCR, has specific guidelines on the type of individuals who should compose the Board. The key requirements from this guidance are: the majority of the Board Members should be independent of the Council; and, Governance Arrangements and Board Structure must allow the Board Members to fulfil their duties to the charity.

It is likely that these guidelines will be required to be complied when applying for charitable status. Where the Board comprises of seven members, it is recommended that the Board has four independent Directors to ensure an independent majority.

## ***Other governance routes***

Board representation is not the only way in which monitoring and Governance can be achieved. An additional Governance route for the Council relates to the appointment of observers to the board. The observers would be able to attend and speak at Board Meetings, but would not take part in decision making. This allows for additional Governance and monitoring at Board level while, crucially, maintains the integrity of the independent Board.

Other potential Governance routes could be: the Board being required to submit written reports to the Council on certain aspects of the company, for example the performance; and the legal agreement between the Council and the company would set out such requirement

## ***Council officers as Directors***

In the creation of the new Board, the Council would be free to nominate an Officer to be a Director, however, this is not commonly considered to be appropriate. Audit Scotland has concerns that the ongoing working activities of a Council officer impinge on clear roles and responsibilities between Council and Board duties. Accordingly, in order to monitor and examine the performance of the company, Council Officers can take an observer role on the Board.

## ***Initial recommendation***

Commonly, the following recommendations are applicable when determining the Board structure:

- ▶ A minority of Elected Members of the Council to be nominated to the Board;
- ▶ the Elected Members nominated are not those with a scrutiny and governance role from the Council side, and so are not, for example, Members of the Committee to which the company reports;
- ▶ A recruitment process to be conducted to identify a majority of independent candidates to fill the remainder of the posts on the Board, with the correct mix of skills. A potential candidate here may be a Trade Union representative;
- ▶ A limited number of Board observers who are Council officers;
- ▶ a detailed conflicts policy to be developed and embedded in the Governance Arrangements;
- ▶ Training on Board duties, including conflict issues to be provided, in due course, to the Board.

## Appendix C Illustrative Board Member Skills Matrix

Table 19 – Illustrative Board Member Skills Matrix

Board Member*	Behavioural		Governance			Technical				Industry				Comments
	Leadership	Communication	Previous Director experience	Community involvement	Strategic planning	Financial	Legal	HR	Comms / marketing	support for mission	fundraising	public policy	experience in sport / leisure / culture	
1. Elected Member														
2. Elected Member														
3. Elected Member/Independent Member														
4. Independent Member														
5. Independent Member														
6. Independent Member														
7. Independent Member														

**Scoring**

1	Low
2	Limited
3	Average
4	Strong
5	Very Strong

\*demographic mix: gender, age, ethnicity, demographic representative of local area

Source: EY

## Appendix D Financial and VAT Assumptions

### Key Assumptions

The VAT savings identified are based on EY's understanding of the Council's operations.

The VAT savings identified are dependent on confirming the VAT treatments applied with HMRC.

### Cultural Exemption

In order to be treated as an eligible body in relation to the cultural exemption the entity must satisfy the following conditions:

- ▶ is precluded from distributing, and does not distribute, any profit it makes;
- ▶ applies any profits made from supplies of cultural services to the continuance or improvement of the facilities made available by means of the supplies; and
- ▶ is managed and administered on a voluntary basis by persons who have no direct or indirect financial interest in its activities.

### Sporting Exemption

In order to be treated as an eligible non-profit-making entity for the purposes of the sporting exemption the entity must:

- ▶ have in its constitution restriction on the distribution of profits; and
- ▶ not be subject to either commercial influence or be part of a wider commercial undertaking.

### NDR Criteria

NDR relief is one of the biggest savings where the Council transfers leisure and cultural services into a charitable entity.

However, relief is only available where the entity is a registered Charitable Body with OSCR. A registered charity receives 80% mandatory relief from NDR and the Council may then award a further 20% discretionary relief to a charity that occupies premises wholly or mainly for charitable purposes.

It is the Council's responsibility to fund 25% of the 20% discretionary relief and thus we reduce 100% saving to 95% to reflect this.

### What are each of the cases?

**Table 20: Scenarios**

Responsibility For	Best Case	Prudent Case	Worst Case
Utilities	Council	Trust	Trust
Repairs & Maintenance	Council	Trust	Trust
Support Services	Council	Council	Trust

In the best case, we assume that:

- ▶ Utilities form part of the peppercorn lease from the Council to the Charitable Trust
- ▶ Repairs and maintenance form part of the peppercorn lease from the Council to the Charitable Trust
- ▶ Support services are provided by the Council to the Charitable Trust free of charge

In the prudent case, we assume that:

- ▶ The cost of utilities is borne by the Charitable Trust
- ▶ The cost of repairs and maintenance is borne by the Charitable Trust
- ▶ Support services are provided by the Council to the Charitable Trust free of charge

In the worst case, we assume that:

- ▶ The cost of utilities is borne by the Charitable Trust
- ▶ The cost of repairs and maintenance is borne by the Charitable Trust
- ▶ The cost of support services is borne by the Charitable Trust

### ***Calculation of non-business restriction risk***

Based on our experience with other Councils and Trusts, and existing case law, we have treated the Management Fee as notional taxable income on those activities which are mainly non-income generating, e.g. libraries, archives and Oban Sports Field for calculating VAT recovery.

Where HMRC do not accept this, there will be an additional irrecoverable VAT cost and this has been factored into the worst case modelling and the additional irrecoverable VAT would be £84,215.58.

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**ARGYLL AND BUTE COUNCIL****COUNCIL**

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**24th November 2016**

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**LEADER'S REPORT**

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**1. INTRODUCTION**

- 1.1** This report provides members with an update on my activities as Leader of the Council during the period 15<sup>th</sup> September to 3<sup>rd</sup> November 2016. These are outlined below in chronological order for members' information and interest.
- 1.2** I have also provided updates in respect of my role as Policy Lead Councillor for Finance, IT, HR and Governance and Law.

**2. RECOMMENDATIONS**

- 2.1** Members are asked to note the report,
- 2.2** Members are asked to note that the full Leader's Report Pack is available in the Leader's office. This includes COSLA papers and briefings as referenced in the report. Any COSLA items heard in public session can be provided to members electronically; the papers for items taken in private session can be reviewed in the Leader's office.

**3. GOUROCK-DUNOON STAKEHOLDERS GROUP, 27<sup>th</sup> September 2016**

- 3.1** The Gourock-Dunoon Stakeholders Group held its first meeting in Glasgow on Tuesday 27<sup>th</sup> September. This inaugural meeting focused on the history of the Dunoon-Gourock ferry service and the process going forward in relation to procuring a new service.

Since this meeting, media reports state that four operators have been invited to tender for the contract, although these have not yet been named as the tendering exercise is still live.

#### **4. ARGYLL AND BUTE COUNCIL EXCELLENCE AWARDS, 28<sup>th</sup> September**

- 4.1** Like all Scottish councils we face times of significant challenge. That is why it is important to take every opportunity we can to identify and celebrate success. The annual Argyll and Bute Council Excellence Awards is one such opportunity, and I was delighted to join member and officer colleagues to acknowledge, recognise and celebrate the achievements and successes of this council's hardworking and dedicated staff.

To meet the challenges we face, we must change what we do. This needs a spirit of innovation, of determination, of commitment and of striving for improvement. After many years in local government I am encouraged by what I see in our organisation. I see how our valued and committed staff work together to adapt, to overcome, to find new ideas, work smarter, faster and harder, to keep delivering the services which are so important to the people and communities of Argyll and Bute.

It was a real privilege and encouragement to hear about the nominations from services across the council, all of which are working hard every day, not to win awards but to deliver excellence. Thanks are due to all of them and congratulations to all the winners.

#### **5. ISLANDS STRATEGIC GROUP, 28<sup>th</sup> September**

- 5.1** In August, the Scottish Government announced the progression of legislation to empower Scotland's island communities. Part of the government's activity included the establishment of the Islands Strategic Group, which met for the first time on 28<sup>th</sup> September.

It is a very welcome step that Argyll and Bute Council has been included in this new group as a council with islands. The group's remit is to focus on the development of a National Islands Plan, taking into account the challenges and opportunities of island life. With 23 inhabited islands – more than any other island authority – it is essential to be included at this level of strategic planning.

This first meeting looked at the terms of reference for the group as well as an update on the Islands Bill. At the time of writing, preparations for the second meeting are in hand, with a view to holding the meeting on Bute and if any more information about the proposed agenda items is available, I will be happy to provide that at the council meeting itself.



## **6. HIGHLANDS AND ISLANDS LEADERS GROUP, 29<sup>th</sup> September**

**6.1** I was unable to attend this meeting but was represented by the Chief Executive. The agenda items covered were:

- Discussion of forthcoming Convention of the Highlands and Islands Agenda and key priorities for the Highlands and Islands post 2020
- A session on the Programme for Government, in particular the economy, education and issues around the EU referendum result, with Deputy First Minister John Swinney.

Given the commonality between this group, COHI and the Islands Strategic Group mentioned above, it was agreed at the meeting that a consolidated work plan should be produced to avoid duplication. This will be very beneficial.

There is more detail in the Leader's Report pack, including a note on the discussion with Mr Swinney, available for members to consider.

## **7. COSLA LEADERS, 30<sup>th</sup> September 2016**

**7.1** The September COSLA Leaders meeting took place in Edinburgh on Friday 30<sup>th</sup> September, at the close of a busy week which included our own council meeting plus a number of other important external engagements as noted above.

All agenda items on this occasion were taken in private session, so I cannot report on them in full here, but all papers and associated briefings are available to view in the Leader's Report pack.

The agenda items were:

- Scottish Youth Parliament presentation
- Living Wage for Care Workers in Adult Social Care
- Education Delivery Plan
- Consultation on a Child Poverty Bill for Scotland
- Spending Review (no papers – verbal update)
- Welfare Reform
- Consultation on Social Security
- Fire and Rescue Service
- Enterprise and Skills Review
- Broadband and Digital
- Trading Standards – Strategic Service Review
- Distribution

## **8. MEMBERS SEMINAR WITH ECONOMIC FORUM, 3<sup>rd</sup> October 2016**

- 8.1** Our scheduled Members Seminar on 3<sup>rd</sup> October saw us joining forces with members of the Argyll and Bute Economic Forum for part of the session.

This was a great opportunity to hear an update on the Forum's work so far as well as offering colleagues a chance to meet with local business representatives who are involved in this private-sector led initiative which shares the same priority we have – securing a growing economy built on a growing population.

The Forum members, along with our own officers, presented on a number of topics and updated on specific areas of work, including:

- Youth and Education
- Oban as a University Town
- Developing Argyll and Bute's Young Workforce

After the morning session, the Economic Forum held a business meeting elsewhere in Kilmory, while the seminar continued with sessions on:

- Strategic Housing Investment Plan
- Scottish Care Leavers Covenant and looked after children
- Digital tools for participatory budgeting

Once again this members seminar was a very useful, interesting and well organised session. The next seminar is on Monday 5<sup>th</sup> December and will focus on broadband and mobile improvements across Argyll and Bute and other topics.

## **9. JOINT REPRESENTATION TO IJB, 4<sup>th</sup> October 2016**

- 8.1** Following recent council considerations and then very productive telephone discussions with our constituency MSP Michael Russell, it was agreed that he and I, in conjunction with Brendan O'Hara MP, would represent to Shona Robison, Cabinet Secretary for Health and Sport, and the Chair of the Argyll and Bute Integrated Joint Board, asking for consideration of suspension of the recent decisions in relation to Struan Lodge in Dunoon and Thomson Court in Bute.

Colleagues will be aware that the IJB has met since those representations and has agreed to pause those decisions for six months to allow for enhanced engagement with local people and staff.

This is welcome news and is evidence of how in Argyll and Bute it is possible to put political differences aside when issues are clearly important to the communities we are all elected to serve.

Copies of the correspondence signed jointly by myself, Mr Russell and Mr O'Hara are available in the Leader's Report Pack.

### **10. COSLA CONVENTION, 7<sup>th</sup> October 2016**

**10.1** COSLA Convention was held in Crieff on Friday 7<sup>th</sup> October.

Angela Constance, Cabinet Secretary for Communities, Social Security and Equalities, gave the opening address before Convention moved into private session.

The agenda items were:

- Programme for Government
- Public Service Reform
- Developing COSLA's response to leaving the EU
- Governance of the Business Gateway Service
- COSLA Review update

Because these items were considered in private session, I am not able to report in more detail here, but would encourage colleagues to access the detail in the papers and briefings from the Leader's Report pack, given the importance and impact of the issues discussed.

### **11. CONVENTION OF THE HIGHLANDS AND ISLANDS (COHI), 31<sup>st</sup> October**

**11.1** The latest COHI took place in Inverness on 31<sup>st</sup> October. As usual this offered an opportunity to engage with other Highlands and Islands councils and the Scottish Government on the unique issues and challenges we face. The agenda items were:

- Priorities for Government, including EU referendum response and Enterprise and Skills Review

The headline issues here are:

- An education system providing opportunities for all
- An economy with more jobs and fair work
- Public services fit for the future which empower people and communities

The government's focus is on closing the attainment gap – including the expansion of early learning, childcare and nursery capacity. Engagement will continue with industry, education and other partners on Developing Scotland's Young Workforce. There will also be activity on maintaining at least 116K FTE further education places and developing access to university for students from deprived backgrounds.

Scotland's economic strategy has a twin focus – boosting competitiveness and tackling inequality. Alongside this sits activity to mitigate against the impact of the United Kingdom leaving the European Union, including a £100m Capital Acceleration Programme to stimulate the economy and various other measures. Work is being done to maximise international opportunities for Scotland. But also, given that rural areas account for 98% of Scotland's land mass and almost 20% of its population, the Scottish Rural Development Programme will continue to provide funding in the next year and there will be a series of summits to explore how best to deliver investment, growth, jobs and opportunities in rural and island communities.

- Highlands and Islands beyond 2020
- Fuel Poverty and National Network Pricing – update from Ofgem
- Digital Connectivity – progress and opportunities
- Skills Investment Plan
- Realising UHI Strategic Vision

Draft outcomes have been made available since then and if these are finalised in time for the council meeting I will be happy to provide more information to members.

## **12. ARGYLL AND BUTE COMMUNITY PLANNING PARTNERSHIP FULL PARTNERSHIP, 2<sup>ND</sup> November 2016**

- 12.1** It was a pleasure to visit Oban on Tuesday 2<sup>nd</sup> November for this year's Full Partnership – Argyll and Bute Community Planning Partnership.

Once again this was a very positive day and an opportunity to join with our community planning partners, share ideas, reflect on what has worked well in Argyll and Bute over the past year and focus on how we can build on that for the future.

Since the full partnership last got together, working together we have made significant progress on each of the six outcomes embedded in our Single Outcome Agreement. The CPP annual report, issued to delegates on the day, provided a number of case studies and examples of this from our work over the past year.

During the day we had a number of very interesting sessions, including a very heartening presentation on our Refugee Resettlement Programme; very fitting because we are approaching the first anniversary of the arrival of Syrian families in Rothesay.

Other topics on the day included:

- Charrettes – community led action planning
- Alcohol and drugs prevention work in schools
- Launch of Argyll Enterprise Week
- Economic growth
- Tools for the future – planning and prioritising

At the close, many delegates took the opportunity to visit the Trade Fair in the town's Corran Halls, part of Argyll Enterprise Week which launched on 31<sup>st</sup> October. Enterprise Week is drawing to a close as I write, and I am sure our Policy Lead for Economic Development will be reporting on this in due course.

## **16. POLICY LEAD UPDATE –**

### **16.1 Local Tax Collections**

Collections of council tax for 2016/17 were 66.60% at end of October, down 0.07% on last year. Collections are down due to the second home discount review with discounts removed from 175 households and double charge applied instead. This is affecting collections by 0.3%. Collection for 2015/16 at end of October is 96.47%, up 0.41% on previous year at this time. Collections on the 2014/15 year continue to be slow as previously reported because of the change in sheriff officers that year. The single person discount review is due to start shortly.

Collections of non-domestic rates for 2016/17 are 74.50% at end of October, down 0.25% on last year. The main reason for the decrease is that reliefs granted are around £0.8m less than last year, mainly because of changes in renewables relief. Collections on 2015/16 year are now at 98.65%, up by 0.16% on the previous year at this time.

The Scottish Government has now approved the new statutory instrument to change the proportions of council tax for bands E to H. The legislation to amend council tax on second homes is still in draft and the progress of this is being closely monitored.

### **Scottish Welfare Fund (SWF)**

Programme funding for 2016/17 including carried forward underspend of £24,313 is £424,076 - £35,340 per month. Since the start of April we have been supporting both medium and high priority cases but reduced this to high priority only from 10th October due to the increase in spend. To the end of October we have paid out and committed £288,535 – 116.6% of the profiled amount including brought forward underspend. 37 applications are currently being processed and a further seven were part paid at the end of October. We have seen a very significant increase in numbers of applications for community care grants in August. We suspect this increase may be due to people realising that payments are now made in cash and that is more attractive than when we just provided goods.

### **Discretionary Housing Payments (DHPs) and benefit cap**

The funding allocations for 2016/17 now total £603,675 following receipt of the final 20% of funding for 2015/16 from the Scottish Government in June, and including the carry forward from last year of £35,730 approved by council.

£510,715 has now been either paid out or committed as at the end of October with awards made to 971 cases. There are a total of 102 applications outstanding or requiring further information at the end of October. Nearly all the awards to date (93% by value) have been for bedroom tax cases. We are supporting medium and high priority cases for all non-bedroom tax cases. We continue to support all bedroom tax cases irrespective of hardship. We have estimated that we should be able to support families affected by the benefit cap for at least an initial 13 week period. There are four families currently affected by the existing benefit cap and the reduced benefit cap will be applied to these families with effect from 7 November. There are approximately 40 new benefit cap cases and these will be applied with effect from 14<sup>th</sup> November. We should receive final files for these cases from DWP on 7<sup>th</sup> November. The revised DHP policy for the benefit cap cases was approved by the Policy and Resources Committee and the website has been updated for this.

### **Benefits processing**

New claims processing in the year to date to end of September has taken on average 18.91 days which is well below our target of 23 days. Changes in circumstances in the year to date to end of September have taken on average 4.99 days which is also well below our target of eight days. Our accuracy to end of September is 96.4% which is also better than the target of 95%. October figures are not yet available.

## **Pathfinder North migration to SWAN**

As of 2<sup>nd</sup> November we have 82 out of 132 sites transitioned. Progress is disappointingly slow. Forecasts for installs in November and December have been halved across the partnership and we are awaiting more detailed information to see the impact on our own sites. We have ordered alternative interim circuits for the sites expected to be most delayed. We will be seeking to recover damages from Capita for these additional costs being incurred.

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

I am very pleased to report that the percentage of calls to CSC being abandoned for the month of October was 5.5% - well below our target rate of 7.5%. We have been well below target consistently since start of July. The average answered call time for October was 3.75 minutes – a considerable increase from the previous average of 2.6 minutes. More is being done within the call than previously so there is a reduction in average wrap time.

The percentage of voice automation calls successfully transferred has reduced slightly to 77.9% in October but this is still well above the 75% target.

We are now progressing the next phase of the project for the new customer contact systems which is focussed on taking more advantage of the new functionality in the new systems. Three new voice forms are now live – for falls helpline, direct debit payments and second bin request. These are available 24/7. Sentiment metrics is live and allows us to evaluate our social media impact and manage this through a central hub.

The new marriage site is now live and accessible through the council's main website. This is more promotional than the previous material and aims to help attract more couples to get married in our area.

## **Procurement, commissioning and creditors**

Year to date to end of October, we have paid 94.03% of creditors invoices within 30 days which is slightly above our target of 94%. This is pleasing as we are now back on track after a poor performance in August affected by holidays.

The pilot for the new model of care won a gold award at the Council's recent excellence and recognition awards event. Supplier events have taken place in all localities in relation to the new Integrated Care Fund. Bids for this have now closed.

## **ICT**

All first draft Information Asset registers have been completed for all services. Good progress is being made in implementing specialist document management system for social work. West Dunbartonshire Council use the same system and are assisting with the integration to CareFirst. Lync is now set up for all the schools within the Education pilot. Phase 1 of the cashless catering project is complete and all secondary schools are now equipped with new tills and revaluation equipment. Annual PSN health check is underway and vulnerabilities are being addressed ahead of re-accreditation due next year. A large number of end of life switches are being replaced.

## **Big Lottery Fund (BLF)**

We submitted a bid (ESPD) for the first stage of the BLF's procurement of financial inclusion services funded by European Social Fund monies. The bid was put forward on a collaborative basis along with a number of our third sector partners and is being overseen by the Welfare Reform Working Group. The ITT was due to be issued first week of August however BLF has decided to re-commence the procurement in a single stage and will now issue the revised requirements week commencing 19 September. The main difference is in relation to post codes covered. The intention is still to submit a bid. The contract could be worth up to £3.5m over a three-year period. No match funding is required. Even if the council led bid is not successful, this contract should provide valuable services to our more vulnerable citizens.

## **Consultations recently launched**

The Scottish Government has recently issued a number of consultations. We have submitted responses to the consultation on a child poverty bill for Scotland, the Barclay consultation on rates, social security in Scotland, proposed council tax reforms, on the use of rateable values for water charging, and on transitional arrangements for the 2017 non-domestic rating revaluation.



## **17. CONCLUSION**

**17.1** This report highlights some of the main activities I have undertaken in my role as Leader of the council during the past three months. I hope that this update is helpful for members and will be happy to provide more information wherever possible. The full Leader's report pack can be viewed in the Leader's office at any time.

## **18. IMPLICATIONS**

**18.1 Policy - None**

**18.2 Financial – None**

**18.3 Legal – None**

**18.4 HR – None**

**18.5 Equalities – None**

**18.6 Risk – None**

**18.7 Customer Service – None**

**Councillor Dick Walsh**

**Leader, Argyll and Bute Council**

**Policy Lead Councillor for Strategic Finance, IT, HR and Governance and Law**

**4<sup>th</sup> November 2016**

**For further information or to access the Leader's Report Pack please contact Aileen McNicol, Leadership Support and Member Services Manager, telephone 01546 604014 or email [aileen.mcnicol@argyll-bute.gov.uk](mailto:aileen.mcnicol@argyll-bute.gov.uk)**

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**ARGYLL AND BUTE COUNCIL**
**COUNCIL****POLICY LEAD REPORT****24<sup>th</sup> November 2016**


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**REPORT BY THE POLICY LEAD FOR HEALTH AND SOCIAL CARE INTEGRATION**


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**1.0 INTRODUCTION**

**1.1** This is my first Policy Lead Report. I have been Policy Lead for Health and Social Care Integration and Chair of the Integration Joint Board (IJB) from the 1<sup>st</sup> September.

**1.2** I would like to pay tribute to the work of Councillor Maurice Corry as the previous Policy Lead for Health and Social Care Integration. I would also like to thank Councillor Elaine Robertson and Councillor Mary-Jean Devon for their support as Deputy Policy Leads to me in my new role and for their continued commitment to health and social care matters.

**2.0 VISITS**

To gain a strategic understanding of the work of our services across the area I have been visiting as many sites across Argyll and Bute as possible.

To date this has included visits to the:-

- Cowal Community Hospital and Struan Lodge Care Home in Dunoon
- Victoria Integrated Care Centre Helensburgh
- Mid-Argyll Community Hospital and the Argyll and Bute Hospital in Lochgilphead
- Glencruitten Hostel, Eader Glinn Care Home, North Argyll House Care Home, Shellach View Children's Home, Willowview Community Care Centre and Lorn and Isles Hospital in Oban
- Victoria Hospital, Thomson Court Day Centre and Care Home, and Phoenix Centre in Rothesay

I have also attended the Argyll and Bute Link Club Convention in Inveraray, Island Connections Conference on Seil where Health and Social Care were major topics of discussion.

**3. INTEGRATION JOINT BOARD (IJB)****3.1 IJB Meetings**

**3.1.1** Meetings of the IJB have taken place on 22 June, 4 August and 28 September. Papers and decisions of these meetings are publicly available.

**3.1.2** A special meeting of the IJB took place on 2 November to review proposed redesigns of residential care at Struan Lodge, Dunoon, and the dementia day care

service at Thomson Court, Rothesay, that were part of the Quality and Finance Plan. Papers and decisions of this meeting are also publicly available.

**3.1.3** Locality planning groups (LPG) are being developed as the engine room for transformational change in health and social care. Since April 2016 all the groups have now been established with a wide membership (informed from guidance) representing stakeholders including councilors. The role of the planning groups have been defined within their terms of reference aligned with the objectives and six areas of focus of the IJB Strategic Plan.

**3.1.4** Each Locality is in the process of finalising their draft Locality Action plan detailing the actions they have identified to meet their objectives. Part of their role is to also put in place local public and staff involvement and engagement processes to ensure feedback and input from communities in shaping their service transformation plans and including strategic decisions taken by the IJB. There are a range of mechanisms providing this but local health and care forums and communications and engagement groups have/are being established.

## **3.2 Finance Update**

**3.2.1** The Partnership is facing a period of significant financial challenge. The Board approved an updated Quality and Financial Plan for 2016/17 at the meeting on 22 June 2016 which includes a requirement to deliver savings totaling £8.5m. Implementation is ongoing and being monitored. Significant challenges remain to ensure a balanced budget is delivered at the end of 2016/17, at the August monitoring period there was an overall projected overspend of £1.0m. This is primarily in relation to the deliverability of the Quality and Financial Plan, the cost of medical locums and the increased demand for social care services. A financial recovery plan was approved by the Board on 4 August 2016, and progress is being made to bring the forecast outturn position into line with the available budget.

**3.2.2** Additional social care pressures which have emerged since the Quality and Financial Plan was approved in June include:

- Potential lengthened engagement and involvement regarding redesigns of the residential care service at Struan Lodge and the dementia day care service and Thomson Court.
- Living Wage implementation for all health and social care workers which is estimated to cost £110k more than originally anticipated.

**3.2.3** There remains a significant budget gap projected for 2017/18 and 2018/19. Officers have commenced work with the management teams and Locality Planning Groups to identify potential savings options that will feature in the Quality and Financial Plan from 2017/18. The appropriate timescales for proportionate engagement and communication have been included into the timeline for the budget process to ensure that any options approved by the IJB are included in this prior to implementation.

**3.2.4** The IJB were required to produce a set of annual accounts for 2015/16, the accounts were produced within the statutory timescale and were audited by Audit Scotland. The audit process was successfully completed and Audit Scotland issued an unqualified independent auditors report, which contained no issues to report on the accounts. Audit Scotland also issued their Annual Audit report for 2015/16 which

provides assurance around the financial sustainability, governance and the delivery of best value. There are 3 specific areas which were highlighted in an action plan, these included the production of the annual accounts for 2016/17, the delivery of the Quality and Financial Plan for 2016/17 and the performance management framework. These areas are all previously acknowledged by the IJB as areas to be progressed and further developed.

#### 4.0 ADULT SERVICES

##### 4.1 Up-date on Activity - Adult Protection

4.1.1 Managers and staff continue to manage adult protection referrals across the main localities of Argyll and Bute. The number of adult protection referrals received this quarter (April/June) was 124, there were 129 referrals in the previous quarter.

Area	Number of AP referrals	% of AP referrals
B&C	36	29.0%
H&L	25	20.2%
MAKI	30	24.2%
OLI	33	26.6%
Total	124	100%

The chart above shows, the spread of referrals this quarter between the 4 areas continues to narrow. Helensburgh had the largest change with a fall in the number of referrals received from 39 last quarter to 25 this quarter. OLI had the largest increase moving from 24 last quarter to 33 this quarter.

4.1.2 The new lead officer (adult protection) Julie Hempleman started in her new post on 3<sup>rd</sup> October 2016. Julie will be based at the Civic Centre in Helensburgh and will cover East and West localities in terms of providing specialist advice and guidance to staff across all HSCP teams in relation to adult support and protection.

4.1.3 The HSCP have secured the services of Mr. Alex Davidson as interim Independent chair of the Adult Protection Committee for a period of 6 months commencing early November 2016. Alex is well known in Argyll and Bute through his previous involvement as an associate JIT inspector. He is also currently the national chair of Adult Protection Conveners group in Scotland. Alex will bring a wealth of experience and provide suitable scrutiny relating to adult protection activity and performance.

The former chair of the APC, Bill Brackenridge, left in the summer of this year after many years of service to the Committee, I would also like to take this opportunity to thank him for all the work he did to ensure Adult Support and Protection was kept high on the local and national agenda.

#### 4.2 Older People's Services, Delayed Discharge and Service re-designs.

##### 4.2.1 Older Peoples Services

Adult Services continue to work towards redesign and improvements in line with the 6 areas of focus within the Health & Social Care Partnership (HSCP) Strategic Plan.

- i. The HSCP Winter Preparedness Plan for 2016/17 is in the final stage of completion. It continues to focus on the Scottish Governments '6 Essential Actions for Unscheduled Care' detailing prevention of admission strategies and improvement in patient flow through hospital care. The plan also details the HSCP commitment to resilience and Public Protection promoting the Flu Immunisation Programme and the "Stay at Home" Campaign for Norovirus.
- ii. Home Care provision continues to be a challenge for Adult Services, particularly in the West, and localities are working in partnership with providers to move towards block contract provision. There is also the development of a Social Enterprise Homecare Model in Appin which will be reviewed as part of the Integrated Care Fund.
- iii. The Integrated Care Fund (ICF) continues to support projects to lever change. The locality allocations are currently going through the allocation process for 16/17 funding

#### **4.2.2 Delayed Discharge**

The Partnership is continuing to address whole system issues relating to delayed discharge as part of its re-design and improvement work with staff from hospital and community teams across Argyll and Bute and Greater Glasgow and Clyde.

In September 2016 the total number of people delayed in hospital over 72 hours was 16 (sixteen). This figure includes two people who have been assessed as lacking capacity to make decisions. As a result of this they have been given an exemption code for the purposes of the census information that is shared with the Scottish Government.

A focus on delayed discharge and winter planning will ensure our teams across our localities are prepared for the busy winter months ahead.

#### **4.2.3 Struan Lodge and Thomson Court Service Redesigns**

Since June there have also been meetings between senior managers from the Health and Social Care Partnership and representatives from the Scottish Government and Argyll and Bute Council. The Chief Executive of the Council was involved in joint discussions with the HSCP and Scottish Government. This meeting was held to explore the context in which the decision was made by the IJB and support which could be given to facilitate better engagement and involvement with communities

The Argyll and Bute Integration Joint Board agreed on 2 November 2016 to pause the Struan Lodge and Thomson Court redesign work for a period of 6 months. This will allow for a facilitated engagement and involvement process with communities and a period of staff consultation.

The IJB has also agreed to consider the outcomes from this exercise to inform its decision on the redesign and transformation of services in Bute and Cowal as part of its Quality and Finance Plan for 2017/18 and 2018/19.

## **5.0 CHILDREN AND FAMILIES AND CRIMINAL JUSTICE PARTNERSHIP**

### **5.1 Criminal Justice Partnership**

- 5.1.1** Argyll and Bute Criminal Justice Service is delivered in partnership with West and East Dunbartonshire. The service's key priority is to reduce re-offending through provision of effective risk assessment and management of offenders, to strengthen opportunities through positive community rehabilitation and reintegration, and to deliver an efficient and high quality service.
- 5.1.2** Multi-agency Public Protection Arrangements (MAPPA) for Sexual Offenders contribute to effective management of sex offenders in the community. These arrangements have been extended to include serious violent offenders. Risk of Serious Harm (RoSH), an assessment and risk management process, has been introduced to cater for this category, boost frameworks for managing sex offenders, and strengthen identification of early warning signs and contingency planning.
- 5.1.3** The presumption against short term prison sentences (3 months or less) is likely to be rolled out for sentences of 12 months or less. As a result Criminal justice are preparing for an increase in a low - medium risk, but nonetheless, complex case load that will engage with third sector providers in the community.
- 5.1.4** Argyll and Bute Criminal Justice Service is currently reviewing Partnership arrangements with the Dunbartonshires to meet the demands of a new funding formula and introduction of Community Justice via local arrangements with Community Planning partners in April 2017. In parallel, local management of criminal justice services are being redesigned to make efficiency savings.

### **5.2 Child Protection Committee**

- 5.2.1** Argyll and Bute Child Protection Committee continues to make good progress against national and local priorities set out in the Child Protection Business Plan. In February, the Minister announced a national programme to improve child protection in Scotland.
- 5.2.2** The independent chair of the CPC, Moira McKinnon, continues to provide expertise and appropriate support/challenge to the partnership. The CPC Chair and Lead Officer have personally led a programme of locality workshops on Child Sexual Exploitation (CSE) to assist practitioners and managers in the identification and response to vulnerable children and young people.
- 5.2.3** The Locality Managers are working closely with partners in re-configuring the local executive groups and practice forums to improve the delivery of the Integrated Children's Service Plan. These arrangements will support the self-evaluation exercise being led by Argyll and Bute's Children which will culminate in a workshop later in the year. The Children and Young People Act introduces a statutory responsibility for a new strategic children's plan. Across Argyll and Bute partners are currently developing a new plan.

### **5.3 Corporate Parenting Board Up-date**

**5.3.1** The Corporate Parenting Board has focused on improving outcomes for looked after children across Argyll and Bute. The Board oversees all outcomes for Looked After Children within Argyll and Bute.

**5.3.2** The three Children's Houses continue to maintain their 'very good' grades across all quality indicators. Likewise, the Adoption and Fostering Services continue to improve and this is reflected in a mixture of "good" and "very good" grades. During this period one of our care leavers has been appointed a Young Inspector to the Care Inspectorate and will shortly be working within an inspection team undertaking inspections of other services. This is a tremendous personal achievement.

**5.3.3** The Board has recently approved the revised Kinship Policy, Procedures and Practice Guidance to reflect the Children and Young People (Scotland) Act 2014 and the accompanying guidance. The revised policy, procedures and practice guidance will be implemented in the New Year with a programme of training.

**5.3.4** Recently Argyll and Bute Council was successful in its application to Life Chances Trust and obtained funding of £212,000 across the next 3 years to support young people's participation. The Participation Officer post and two modern apprentices are currently being recruited to support the project.

**5.3.5** There are a number of UAS in Kent, the Home Office is negotiating with local authorities across the UK to support transfer of UAS on a voluntary basis. A transfer protocol and legislative framework is being considered by Scottish Government, once this is finalised Argyll & Bute will look at supporting UAS.

## **6. MENTAL HEALTH**

### **6.1 Mental Health Update**

Please see Mental Health Update at Appendix 1

## **7.0 COSLA**

### **7.1 Meetings**

I have attended one meeting of the COSLA Health and Well-being Executive Group which was held on 2 September at Verity House, Edinburgh. Agenda items discussed on the day included; Reform of Adult Social Care and National Care Home Contract (NCHC) Reform, Implementation of the Living Wage commitment, Review of Targets and Indicators, Public Sector Reform and reorganisation of the NHS (verbal report), Carers Act, Mental Health Strategy, Independent Living Fund (ILF), Ill Health and Disability, British Sign Language, National Plan. In addition, we received a presentation on Scotland Excel and National Care Home Contract (NCHC) management support. These items were all discussed in "private session".

**Councillor Kieron Green**

Policy Lead for Health and Social Care Integration, 4<sup>th</sup> November 2016



Appendix 1



**ARGYLL AND BUTE  
HEALTH AND SOCIAL CARE PARTNERSHIP**

**MENTAL HEALTH UPDATE**

**Date: 4<sup>th</sup> October 2016**

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**Relocation of MH services to the lower ground floor of MACHICC:**

The building warrant has been received and we await the solicitor's letter to allow progression of the project. This is estimated to be in the next few days.

Relocation project group has been established and will meet on a two weekly basis to ensure compliance with building works, clinical and support services.

**Comms and Engagement:**

- Staff meetings for the Argyll & Bute Hospital continue three weekly.
- MACHICC staff have dates for drop in sessions.
- Drop in events in all localities are planned for November/ December time to update the public on the relocation.
- Comms and engagement meetings with the Scottish Health Council on a monthly basis.
- Monthly meetings with the Lochgilphead GP practice have been established.

**Mandatory training:**

The 5 week V&A programme is currently underway with a completion date of mid-October.

**Staffing:**

Band 7, Senior Charge Nurse post was not appointed to following recent interviews and is now advertised externally with a closing date of the 14<sup>th</sup> October.

Two Band 5 posts remain vacant and are advertised externally.

All Band 3 posts have been recruited.

**Meetings:**

**Escort and transfer group** meeting met on the 16<sup>th</sup> September with good representation from localities. A 24 hour responsive service which is patient centred was felt to be the way forward.

Subgroups are being Main areas for further discussion:

1. Agree an escort and transfer policy for detained patients.
2. Transport of patients.
3. Place of safety policy review and locality place of safety assessment.
4. Education and training for locality based staff

**Clinical quality group** has met for the first time this week and will focus on standardising work, patient pathways and guidelines for inpatient mental health and community teams.

**Mental health planning group** is to be established. This group will work in a similar way to the LPGs and look at future services and plans for mental health services both inpatients and Argyll & Bute wide.

**Operational management team** meets on a weekly basis.

**Consultant meeting** A meeting with management and all consultant psychiatrists is being arranged but delayed due to consultant leave. This meeting is required to develop plans following the RCP report.

**Administration review MH** – this is currently being looked at and with the finance department for costings.

**Mental health services:**

The IPCU remains closed to admissions due to staff availability. Contingency options for inpatients services, place of safety and escort and transfer are currently being considered to provide a safe service for patients. Two side rooms have been created within Succoth Ward and are in use.

Waiting times within psychological therapies continue to cause concern and non-compliance with the 18 week referral to treatment guidance. Work is progressing with the planning department to address this. Funding from Quest is being used to employ admin staff who will be working with localities to support clinicians in the use of Trakcare.

**Donald Watt**  
**Mental Health Manager**

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**ARGYLL AND BUTE COUNCIL****COUNCIL****POLICY LEAD REPORT****24<sup>th</sup> November 2016**

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**REPORT BY THE POLICY LEAD FOR COMMUNITY, CULTURE, GAELIC AND STRATEGIC HOUSING**

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**1.0 INTRODUCTION**

**1.1** This is my fifth report as Policy Lead for Community, Culture, Gaelic and Strategic Housing. It covers the period from April to November 2016 and aims to highlight developments and activities within my portfolio.

**2.0 COSLA**

I have attended a number of COSLA meetings over the last 6 months including the Community and Well Being Executive Group and the COSLA Sports, Arts and Culture Working Group which is jointly chaired by the Cabinet Secretary for Culture and the Minister for Sport.

Public papers from those meetings can be viewed by Members if they so wish.

**3.0 LEISURE SERVICES**

Riverside Leisure Centre is closed for refurbishment for an estimated 12 week contract. Work is progressing well, although some additional issues have been uncovered as the renovation work proceeds.

The major aspects of the project are the replacement of the pool filtration plant, expansion of the gym area, tiling and lighting improvements to the pool hall and improved ventilation in the staff areas.

The facility closed on Friday night 16<sup>th</sup> September and the staff worked all weekend to empty the building for a handover to the contractor, and resumption of gym services on Monday morning. Alternative arrangements have been put in place for customers, with a temporary gym having been set up in Dunoon Grammar school and with swimming lessons being delivered in a private swimming pool.

**4.0 ACTIVE SCHOOLS**

Over 70 secondary pupils from across Argyll and Bute took part in the Active Schools Sports Leadership Academy. In partnership with sportscotland, Active Schools have revamped and rebranded their sports leadership programme which started with a 2 day residential in Campbeltown. Each pupil gained at

least 2 qualifications, with some taking part in as many as 4 courses including athletics, basketball, football, rugby, table tennis and dance.

The MACC Business Park, formerly the RAF Base at Machrihanish, provided the perfect accommodation for the pupils and staff. sportscotland provided tutors for their new multiskills course and Scottish Disability Sport delivered a course on disability inclusion. The pupils will also gain qualifications in Sports Leadership and First Aid before they are deployed as volunteers in to extra-curricular and community clubs.

## **5.0 HEALTH PROMOTION – LEISURE SERVICES**

Funding has been secured for a temporary one year full time post for a Living Well Physical Activity Co-ordinator in the Helensburgh and Lomond through the Integrated Care Fund (ICF). The main aim of the post will be to develop, manage and sustain local pathways to help support members of the community to increase their physical activity levels in order to meet primary and secondary health promotion targets across the locality in partnership with the NHS.

## **6.0 FOOTBALL DEVELOPMENT**

Over the Summer Holidays Argyll and Bute Council Football Development Service delivered Fun Filled Football to many areas of Argyll and Bute. Over 350 children took part in a variety of camps ranging from Mini Kickers, Soccer Week and also the fantastic Summer Residential Camp. This year saw the highest number of children attending the residential with 47 in total from Oban, Mull, Coll, Islay, Lochgilphead, Helensburgh, Campbeltown, Iona and even Inverness.

Argyll and Bute Council's Football Development team held a girls only football development day at Dunoon Grammar School for Secondary age group girls. Over 50 girls from Hermitage Academy, Tarbert Academy, Oban High School and Dunoon Grammar attended the day.

A massive congratulations to David Paterson from Campbeltown on his fantastic achievement on winning 'Best Volunteer in Youth Football' across the whole of Scotland at the SFA McDonalds/Sunday Mail National Grassroots Awards, for his involvement at Campbeltown and District Community Football Club.

## **7.0 ADULT LEARNING AND LITERACIES SERVICE**

### **7.1 Achievements**

I have noted below, for your information, Adult Learning and Literacies Team achievements in the past year:-

- 2134 people received face-to-face tuition
- 1243 participants in employment-related activities
- 201 participants in SQA accredited learning activities
- 737 participants in Health and Wellbeing activities such as exercise for mental wellbeing, Scottish Mental Health First Aid, upcycling and confidence building.
- A further 1142 adults had contact with Adult Learning and Literacies staff during this period in activities such as drop ins, work clubs or at information sessions.
- The Adult Literacy and Numeracy service had 212 participants involved in employment related activities such as one-to-one sessions, SQA accredited work, and group work, and 42 in health and wellbeing activities such as upcycling/sewing. A further 1740 adults had contact with Adult Literacy staff through drop-ins or events.

### **7.2 Basic SQA Qualifications**

The Adult Learning and Literacies Service provides opportunities for people from the more vulnerable groups in our communities to achieve very basic SQA qualifications. The Service operates a registered SQA 'Centre', which processes registrations and submissions. Some of the Units should take as little as 10hrs to complete, but can take much longer for someone who is unused to the process. These achievements signify a major step forward into learning, and boost to CVs, personal confidence, skills and chances of employment.

The qualifications, and the numbers achieving them over the last 3 years, include:

- Preparation for Employment: 80
- Information Technology and Communications: 75
- Exploring Wellbeing: 17
- Improving Wellbeing: 10
- Communications Award, including Reading and Writing: 22
- Building Your Own Employability Skills: 25
- Dealing with Work Situations: 23
- Responsibilities of Employment: 13

Total number of SQA accredited Units achieved was 265

As a new venture to provide progression for those who have achieved a Basic Unit, we are piloting National Progression Awards (NPAs). NPAs are available in a variety of sectors including areas like Construction and Childcare, through to newer subjects such as Digital Literacy and Social Software. They're aimed at providing and assessing a defined set of skills and knowledge in specialist vocational areas, and are therefore a further step towards employment. We

will shortly be piloting the NPA in Digital Literacy, in Campbeltown.

## **8.0 COMMUNITIES**

### **8.1 Community Action Plans**

MAKI Community Development Officer has supported the design and delivery of the review of the 4 action plans for South Kintyre Development Trust. This has involved agreeing a design for delivery and setting up a local steering group for each plan. All 4, East Kintyre, West Kintyre, Southend and Campbeltown have agreed a questionnaire and methodology for consulting their communities on their priorities for action over the next 5 years to keep their action plans up to date and live. All four have now distributed their questionnaires and hope to have the results in and collated, with the action plan appendix completed before Christmas. These can be circulated to strategic partners for their interest and to support effective partnership working and co-production where appropriate or where opportunities arise.”

We are looking to source some Community Action Planning training for the community on Islay at their request, and we hope to confirm this before Christmas.

### **8.2 National Theatre Company and Catherine Wheels Theatre Company**

National Theatre Company and Catherine Wheels theatre Company came to Bute to gather research material for “the Bed Project”.

They wanted to gather people’s memories of bedtime routines, stories, lullabies, favourite toys, insomnia etc. The ultimate aim is to put on a play which will tour village halls around the theme of bedtime experiences, in 2018.

The Community Development Officer set up groups to participate in workshops. The groups included the Memory Group (people with varying stages of dementia illness), fit for life group (people with various long term chronic illnesses) and Crossroads for Carers.

Catherine Wheels Company used songs, drawings and stories to interact with those attending. The groups really joined in and found it a very enjoyable experience.

### **8.3 Kirkmichael**

Residents in the Kirkmichael area of Helenburgh (identified as Argyll & Bute’s area of highest multiple deprivation), who have been working in partnership with CPP partners, are seeing significant progress towards helping them to address the three priorities identified in the Public Reassurance Area Action Plan by the Kirkmichael Multi-Agency Partnership and the Kirkmichael Community Development Group. These are: tackling youth disorder and anti-

social behavior, community capacity building and improving the perception of Kirkmichael. Recent highlights include partnership working between ACHA and Police Scotland which has led to a reduction in ASB and tenant disputes, securing Health Lottery funding to launch: a lunch club for older people, delivery of a programme of touch rugby and DT training sessions for young people, a successful fund-raising Gala Day and various other community events.

#### **8.4 Marine and Land Based Litter**

Communities in the Helensburgh & Lomond area are starting to organise to tackle chronic problems with marine and land-based litter in the countryside and marine environment, particularly at loch heads in the Clyde estuary. 60 representatives from communities in Arrochar, Garelochhead, Helensburgh, Rhu, Shandon, Cardross and Lochgoilhead packed into a public meeting, dubbed a 'Litter Summit' by the local media, to listen to presentations from the Clyde Marine Planning Partnership (CMPP), Marine Conservation Society (MCS) and Beachwatch Bute. The meeting was organised by officers in the Amenity Services and Community Development teams and was chaired by Cllr Ellen Morton. Hundreds of people throughout the area have been participating in beach cleans this year to try to tackle the problem. Helensburgh Community Council is organising a meeting with all H&L community councils later this month and GRAB Trust staff to support the Trust to try to secure funding to allow them to have a presence again in the H&L Area.

#### **8.5 Bridge of Orchy Village Hall**

The Hall Committee's Climate Challenge Fund project is in full flow and so far has resulted in a polytunnel project which is up and running, a number of energy saving initiatives being introduced to help reduce energy bills in the community and an agreement that Tesco will extend their delivery area to include Bridge of Orchy. The group are now looking at a potential application for a second phase of the Climate Challenge Fund and are supporting Tyndrum Village Hall to look at a similar project.

#### **8.6 Housing**

A number of new housing developments have been completed since I last reported and these are as follow:-

##### **8.6.1 New Housing Development Completions**

###### **i. Fyne Homes**

###### **ST. Cuthbert's, Dunoon.**

No. of Units: 17 – Social Rent General Needs; (12 x 2 apt/2 per, 5 x 3 apt/4 per)

Site Start: February, 2015; Completion: November, 2016

Funding:-

Scottish Government - £959,871

Argyll & Bute Council (SHF) - £554,500

Argyll & Bute Council (SHF – Loan) - £201,193

Private Finance (Santander) - £493,323

Total Development Cost - £2,208,887

**Finnartmore, Kilmun – completed previous quarter**

No. of Units: 8 – Social Rent, General Needs; (1 x 3 apt/3 per, 7 x 3 apt/4 per)

Site Start: January, 2015; Completion: June, 2016

Funding:

Scottish Government - £510,232

Argyll & Bute Council (SHF) - £176,000

Private Finance (Santander) - £322,163

Total Development Cost - £1,008,395

**ii. ACHA**

**Sealladh na Mara, Bowmore Phase 2**

No. of Units: 10 – Social Rent, General Needs; (4x 2-bedroom homes, 4x 3 bedroom homes & 2x 4-bedroom homes)

Started on-site Sept 2015; completed October 2016.

Funding:

Scottish Government - £785,400

Argyll & Bute Council (SHF) - £250,000

Private Finance (Lloyds) - £700,523

Total Cost - £1,735,923

**Connel Phase 2**

No. of Units: 10 Social Rent, General Needs; (6x2 bed homes & 4x3 bed homes)

Started on-site June 2015, completion October 2016.

Funding:

Scottish Government - £658,440

Argyll & Bute Council (SHF) - £250,000

Private Finance - £666,564



Total Cost - £1,575,004

**iii. WHHA/LINK**

**Dunbeg Phase 2**

No of Units: 25 Social Rent

Completion: August 2016

Funding:

Scottish Government - £1,645,875

Argyll & Bute council SHF - £647,000

Other - £1,329,125

Total Development Costs = £3.622m

**8.6.2 New Housing Support Contracts**

The new housing support contracts began at the start of October and I am pleased to report that the savings identified through Service Choices have been achieved through delivery of a revised Prioritisation of Need framework and good collaborative working with our service providers. It is important that support is targeted at the most vulnerable as we face a period of significant changes to welfare benefits.

**8.6.3 Capital Stimulus Fund**

The Housing Service successfully bid for £267,000 from the Government's Capital Stimulus Fund. This funding is to support an ACHA project to up-grade insulation in their properties so that they meet the energy efficiency standard in social housing.

**9.0 GAELIC**

**9.1 Gaelic Gathering**

Argyll and Bute Council's first ever dedicated Gaelic Gathering took place in Oban in August and marked a huge milestone in the future of the language for the area.

Over 70 people attended, including representatives from the Scottish Government and Bord na Gaidhlig, and the event provided an excellent platform for networking and developing Gaelic in our communities, our schools and amongst our businesses.

At The Gathering I announced that a virtual Gaelic Forum would be developed

to build on the momentum gathered from the day and share all the exciting Gaelic things that people are doing every day in Argyll and Bute. This Forum went live at the beginning of the month and is attracting a lot of interest.

Speaking at The Gathering I said, “This is a new chapter for Gaelic in Argyll and the dawn of a new era of collaborative working to get the language and culture, that we are so proud of, more prominent in Argyll and Bute.

“It is a major initiative for Argyll and Bute and I’m determined that it will be successful. Many of those who attended are part of organisations that could really make this work. It is a great initiative to bring the grassroots and the agencies together and keep our language alive and thriving.

“We need to do more to keep Gaelic alive. As well as hearing it spoken in our Gaelic primary schools and Mods, we need to hear more of the language in the community, in the work-place, out in the street, etc.

“We want more people learning Gaelic and more people speaking Gaelic in Argyll and Bute. The task is crystal clear and we are starting from a strong base. I look forward to watching the future of Gaelic go from strength to strength.”

Chief Executive of Bòrd na Gàidhlig Ceannard, Shona MacLennan said she was very pleased to be part of the Gaelic Gathering in Oban and congratulated Argyll and Bute Council on organising such an event, as did representatives of the Scottish Government; both said that they looked forward to working with the Council on developments in Gaelic-medium and Gaelic-learning education and supporting us in taking forward the recommendations gathered from the day.

The Gaelic Gathering took many months of planning and I thank Jane Fowler, Laura MacDonald, Duncan MacNeil and others for the help they gave me in getting this wonderful day just right. We are really excited that we have been shortlisted as finalists in the Daily Record Gaelic Awards with the winners announced at a ceremony in Glasgow on 16<sup>th</sup> November. Duncan MacNeil has also been selected as a finalist at the same ceremony for his valuable work at Furan.

## **9.2 Current Gaelic Medium Statistics.**

At present there are 6 primary schools delivering Gaelic Medium Primary Education (GMPE):-

- Bowmore, Islay: 1 teacher and 1.32 vacancy – 19 in GMPE, 7 in Sgoil Àraich
- Rockfield, Oban: 3.6 teachers – 52 in GMPE, 18 in Sgoil Àraich
- Salen, North Mull: 3 teachers – 45 in GMPE, 13 in Sgoil Àraich

- Sandbank, Dunoon: 3 teachers -42 in GMPE, 11 in Gaelic Playgroup
- Appin: 1 teacher - 5 in GMPE
- Tiree: 2 teachers – 23 in GMPE, 21 in bi-lingual Pre-5

At present there are 5 secondary schools delivering a Gaelic for Fluent Speakers qualification:

- Dunoon Grammar: 1 teacher - 24 students
- Oban High School: 1.6 teachers – 22 students
- Tiree High School: 1 teacher – 7 students
- Tobermory High School: 2 teachers – 18 students
- Islay High School: 1 teacher – 5 students

### **9.3 Gaelic Language in the Primary School (GLPS)**

There are 4 Argyll and Bute staff members currently undertaking the GLPS training in Stirling. Two candidates are from South Mull and Iona and the other two are in Helensburgh. The course enables teachers to deliver Gaelic in English Medium classes to children as part of the Languages 1 + 2 initiative. In addition to this, we have two candidates from Argyll and Bute Council training to become trainers of the GLPS programme. This will give us greater flexibility in future years as to how we choose to train teaching staff.

### **9.4 Power Language Platform**

The Power Language Platform is the medium through which Argyll and Bute Council has elected to support English – Medium teachers in delivering Gaelic Education in classes as part of Languages 1 + 2.

There are currently two members of staff working on the translation in to Gaelic of the original French version.

### **9.5 Gaelic Pre-5 / Sgoiltean Àraich**

The statutory guidance on Gaelic Education 2016 states that where Gaelic Medium in the Primary School (GMPE) is in place the Education Authority should actively consider providing a Gaelic Pre-5 provision (section 2.7). In line with this guidance, there will be consideration given to the current Pre-5 provision in those schools delivering GMPE, especially in view of the Scottish Government's intention to increase Early Education and Childcare hours by 2018.

### **9.6 Request for GMPE**

In line with the 2016 statutory guidance, parents in Buessan, South Mull, have requested Gaelic Medium Education in the Primary School.

Officers have met Buessan Primary School's Headteacher, staff and parents, with a view to ascertaining the potential demand for Gaelic Education and the

school's current ability to deliver it.

At present, there is an anonymous consultation with all families of children 0 – 5 in the area in order to predict projected numbers for GMPE and sustainability of Gaelic provision. The consultation closes on Friday 4<sup>th</sup> November. Once we have this information it can be decided whether to move to a full assessment of the potential for GMPE in Bunessan.

### **9.7 Upcoming Training Day with Education Scotland**

An in-service day for Gaelic Medium Pre-5 workers, Primary and Secondary teachers has been organised for Tuesday 22<sup>nd</sup> November 2016 in Furan, Corran Halls. Joan Esson and Maeve MacKinnon will attend from Education Scotland to work with staff on current expectations of practice, including planning and assessment, the rationale behind a Gaelic Medium curriculum and the importance of the immersion phase.

### **9.8 Gaelic Manager's Business meeting**

There will be a Business Meeting for Gaelic Managers on Wednesday 30<sup>th</sup> November in Furan, Corran Halls. This meeting will follow on from the in-service day for staff on the 22<sup>nd</sup> November. Managers of Gaelic provision will be advised as to the importance of a Curriculum Rationale for Gaelic and the need for Gaelic staff to work together, sometimes virtually, to create a community of Gaelic teaching professionals in Argyll and Bute.

### **9.9 Furan**

I have reported below on some activities over the last few months, associated with Furan, the Council's Gaelic Centre in Oban.

#### **9.9.1 Bookbug**

The Furan Gaelic Bookbug sessions continue to be popular with new families coming along regularly. This session takes place on Saturday mornings at 10.30am.

Shona Marshall has now taken over the Mid-Argyll Bilingual Bookbug sessions in Ardrishaig Primary Early Learning Centre.

This session is open to children who attend the nursery and also to families in the community.

Other Gaelic Bookbug sessions take place in Strath of Appin Primary School, Mull, Tiree, Islay and Jura.

#### **9.9.2 Fealla-dhà Furan (Furan Family Fun)**

This is a 45 minute family session with songs, rhymes and stories, hosted by Pigheid, the Gaelic-speaking parrot! 3 sessions were delivered in Furan during

the summer break and continues to be offered this session once a term to various children's groups.

**9.9.3 Support for Rockfield & Strath of Appin Primary Gaelic Classes**

Duncan MacNeil visits Strath of Appin Primary School on the 1<sup>st</sup> Tuesday morning of the month and Rockfield Primary on the remaining 3 Tuesdays. He works with all the classes in both schools doing conversation, reading, singing, drama games and working on any projects going on at the time.

**9.9.4 Local Mod Preparation**

A number of families have been coming in to Furan on a weekly basis to get assistance in poetry recitation and conversation in preparation for the Western Isles Royal National Mod.

**9.9.4 Lynn Court Cèilidh**

The fortnightly cèilidh continues to remain popular and is a great example of Furan working in the community. This is a joint project with Argyll & Bute Third Sector Interface. Duncan hosts the event and is joined by local singers and musicians who give of their time freely to come along. Four pupils from Rockfield Primary School, who were successful at the Oban local Mod, attended the cèilidh in June and performed for the audience.

In August, the ceilidh went over to Lismore for a day and they were joined by locals who welcomed them and performed for them.

A CD entitled "Furan Folk" which contains 16 tunes written by Ian MacLean, Furan's regular accordion player and are dedicated to some of the regular ceilidh-goers has just been produced.

**9.9.4 Furan Conversation Group**

Furan runs one Gaelic conversation group which takes place on Saturdays from 11.45am to 1.15pm in the lounge of the Royal Hotel, Oban.

The sessions are free and are very informal. People at all levels of fluency are welcome to attend. They are non-curriculum/unit based sessions where the conversation can vary from people's hobbies, careers, holidays, news of the day, etc.

**9.9.5 Gaelic for Parents**

This session takes place on Friday mornings (9.30am-11am) during term time and is for parents/grandparents/guardians who have children in Gaelic medium education, where they learn different words and phrases in Gaelic, suitable for conversation with their children in the home. This is a joint project with Comunn nam Pàrant an Òbain.

**9.9.6 Leugh Leabhar (Children's Book Club)**

Leugh Leabhar is a book club aimed at children in Gaelic medium education and takes place on Fridays between 4pm and 5pm in Furan. The purpose of the group is to allow children to read for pleasure outside the classroom. The children can either chose to read on their own or join in the group reading session where one book per week is chosen and Duncan reads the book along with the children. This is a joint project with Comunn nam Pàrant an Òbain

**9.9.7 Fèis an Tairbeirt**

It was a great pleasure to attend and speak at the first Feis an Tairbeirt which was a great success and very well attended. Furan continues to work with the committee of Fèis an Tairbeirt in preparation for the regular Saturday tuition workshops which will take place in and around Tarbert. The workshops began in October and continue through to June 2017.

**9.9.8 Camus Beag (Little Bay) – Gaelic Drama Group**

Furan is working with Artair Donald, Gaelic Drama Artist in Residence at the Royal Conservatoire of Scotland to deliver drama to Gaelic Medium pupils in Argyll. Artair will also deliver 2 Gaelic drama workshops in Furan in November 2016.

**9.9.9 Promotion of Local Events**

Furan regularly promotes local Gaelic events via its e-mail circulation list. The communications department and are copied into these circulations for inclusion on the website and Facebook and Twitter.

**9.9.10 Drop-in Centre**

Furan is getting busier with people dropping in off the street to see the facilities and resources and also to get the opportunity to speak the language with Duncan or with anyone else who happens to be in at the same time. Some very impromptu cèilidhs and conversations have taken place due to people just walking in off the street. Ever since the new Gaelic sign was put up on the Corran Halls in August, Furan has become very much busier.

**9.9.11 Translation Work**

Duncan MacNeil works closely with various departments of Argyll & Bute Council to translate words, phrases, documents and place names, as requested. He also receives requests from individuals and organisations around the world asking for words, phrases and documents to be translated.

**9.9.12 Hot Desks**

The Furan hot desk facility is getting busier. Officers from Fèisean nan Gàidheal, Bòrd na Gàidhlig and An Comunn Gàidhleach regularly come in to Furan to work while they are in Oban.

**9.9.13 Resource Lending**

The shelves in Furan are filled with resources suitable for both the learner and fluent speaker and children and adults alike. Increasingly, people are coming into Furan to look through the resources and borrow material for a limited period.

**9.10 Participatory Budget (PB) Pilot**

I am very pleased to announce that the Council has secured some funding from the Scottish Government to pilot Participatory Budgeting in Argyll and Bute with a small fund offered up for strengthening and growing the Gaelic Language in the first part of the new year.

Stage 1 of the process will be to encourage the submission of costed ideas, with the opportunity for online discussion on the submissions. Stage 2 will be a public vote to decide which projects will be funded.

The pilot will be reviewed to evaluate the effectiveness of the digital system, how engaged communities were, and the opportunities / challenges for PB in Argyll and Bute

**10.0 CONCLUSION**

As Policy Lead for Community, Culture, Gaelic and Strategic Housing, I am pleased to be a part of the work of council services which are taking action to ensure that Argyll and Bute is a great place to live work and visit. These efforts make a significant contribution to our Single Outcome Agreement.

**Councillor Name:** Councillor Robin Currie

**Policy Lead for:** Community, Culture, Gaelic and Strategic Housing

**Date:** 14th November 2016

## Appendix 1

**National Mòd Successes 2016:**

Argyll and Bute was very well represented at this year's National Mòd in Stornoway and I sincerely congratulate all the prize winners listed below and thank everyone who attended as you have done Argyll and Bute proud.

**Emily Armstrong, Bun-sgoil Thiriodh** - Instrumental – Piano Under 13 3<sup>rd</sup> place  
**Còisir Òg Ghàidhlig Ìle** - Choral - Unison Under 19 Open 1<sup>st</sup> place  
**Còisir Òg Ghàidhlig Ìle** - Choral - Puirt-a-beul Under 19 Open 1<sup>st</sup> place  
**Port Ellen Primary School Gaelic Choir** - Choral - Puirt-a-beul Under 13 Learners 2<sup>nd</sup> place  
**Iona Scott, Bogh Mòr** - Solo Singing Girls Ages 13-15 Learners 2<sup>nd</sup> place  
**Abbie Morris, Ìle** - Solo Singing Girls Ages 13-15 Learners 3<sup>rd</sup> place  
**Comunn Gàidhealach Mhuile** - Choral - Two-part Harmony Under 13 Learners 1<sup>st</sup> place  
**Còisir Òg Ghàidhlig Ìle** - Choral - Two-part Harmony Under 19 Open 1<sup>st</sup> place  
**Alexander Dugdale, Comunn Gàidhealach Mhuile** - Solo Singing Boys Ages 11-12 Learners 3<sup>rd</sup> place  
**Ryan Johnston, Bogh Mòr** - Solo Singing Boys Ages 13-15 Learners 1<sup>st</sup> place  
**Ross McLeish, Àrd-sgoil an Òbain** - Solo Singing Boys Ages 13-15 Learners 2<sup>nd</sup> place  
**Ryan Johnston, Bogh Mòr** - Solo Singing Boys Ages 13-15 Learners 3<sup>rd</sup> place  
**Abbie Morris & Elizabeth MacMillan Currie, Ìle** - Duet Ages 13-15 Learners 2<sup>nd</sup> place  
**Commun Gàidhealach Mhuile** - Action Song Under 13 2<sup>nd</sup> place  
**Còisir Ghàidhlig Bun-sgoil Phort Ilein** - Choral - Unison Rural Primary Schools Only 1<sup>st</sup> place  
**Còisir Ghàidhlig Bun-sgoil Bogh Mòr** - Choral - Unison Rural Primary Schools Only 2<sup>nd</sup> place  
**Scott Mac a' Phi, Bun-sgoil Achadh na Creige** - Poetry Recitation Ages 7-8 Learners 2<sup>nd</sup> place  
**Rufus Hughes, Bun-sgoil Achadh na Creige** - Poetry Recitation Ages 7-8 Learners 3<sup>rd</sup> place  
**Scott Mac a' Phi, Bun-Sgoil Achadh-na Creige** - Storytelling Ages 5-8 Learners 1<sup>st</sup> place  
**Ryan Johnston, Bogh Mòr** - Poetry Recitation Ages 13-15 Learners 1<sup>st</sup> place  
**Elizabeth MacMillan-Currie, Ìle** - Poetry Recitation Ages 13-15 Learners 2<sup>nd</sup> place  
**Rachel Bolton, CGM - Loch Alainn** - Poetry Recitation Ages 13-15 Learners 3<sup>rd</sup> place  
**Mirren Brown, Bun-sgoil Port Ilein** - Poetry Recitation Ages 11-12 Learners 1<sup>st</sup> place  
**Eve Munro, Bun-sgoil Port Ilein** - Poetry Recitation Ages 11-12 Learners 3<sup>rd</sup> place  
**Rowan Morris, Bun-sgoil Port Ilein** - Poetry Recitation Ages 9-10 Learners 1<sup>st</sup> place  
**Rebecca Morris, Bun-sgoil Port Ilein** - Poetry Recitation Ages 9-10 Learners 3<sup>rd</sup> place  
**Rufus Hughes, Bun-sgoil Achadh na Creige** - Conversation Ages 5-8 Learners 1<sup>st</sup> place  
**Scott Mac a' Phi, Bun-sgoil Achadh na Creige** - Conversation Ages 5-8 Learners 2<sup>nd</sup> place  
**Rowan Morris & Rebecca Morris, Bun-sgoil Port Ilein** - Duet Under 13 Learners 1<sup>st</sup> place  
**Evie Kellett, Comunn Gàidhealach Mhuile** - Solo Singing Girls Ages 9 Fluent 2<sup>nd</sup> place  
**Eilidh Macdonald & Anna Macdonald, Bun-sgoil Port Ilein** - Duet Ages 16-18 1<sup>st</sup> place  
**Carol Maclean, Tobar Mhoire** - Solo Singing Ladies Fluent 3<sup>rd</sup> place  
**Carol Maclean, Tobar Mhoire** - Òran Mòr Ladies Fluent 1<sup>st</sup> place  
**Mairi McGillivray, Ìle** - Silver Pendant Final (Ladies) 3<sup>rd</sup> place  
**Fergus Muir, Bogh Mòr** - Silver Pendant Final (Men) 1<sup>st</sup> place  
**Carol Maclean, Tobar Mhoire** - Gold Medal Final (Ladies) 1<sup>st</sup> place  
**Alasdair Martin Christopher Currie, Ìle** - Gold Medal Final (Men) 3<sup>rd</sup> place  
**Mairi McGillivray, Ìle** - Solo Singing Ladies Learners 3<sup>rd</sup> place  
**Lynn NicDhòmhnaill, Ìle** - Solo Singing Ladies Learners 4<sup>th</sup> place  
**Mairi McGillivray, Ìle** - Solo singing (Ladies) 3<sup>rd</sup> place  
**Lynn NicDhòmhnaill, Ìle** - Solo singing (Ladies) 4<sup>th</sup> place  
**Donna Dugdale, Tobar Mhoire** - Solo singing 2<sup>nd</sup> place  
**Fergus Muir, Bogh Mòr** - Solo singing (Men) 1<sup>st</sup> place  
**Alasdair Martin Christopher Currie, Ìle** - Solo Singing Men Fluent 1<sup>st</sup> place  
**Helen McNeil, Taigh an Uillt** - Clàrsach Senior Elementary 3<sup>rd</sup> place  
**Donna Dugdale, Tobar Mhoire** - Solo Singing Learners 1<sup>st</sup> place  
**Donna Dugdale, Tobar Mhoire** - Solo singing 2<sup>nd</sup> place  
**Carol Maclean, Tobar Mhoire** - Solo singing 3<sup>rd</sup> place  
**Còisir Ghàidhlig Ìle** - Rural Choirs 3<sup>rd</sup> place  
**Còisir Ghàidhlig Ìle** - Rural Choirs 1<sup>st</sup> place  
**Carol Maclean, Tobar Mhoire** - Solo Singing Fluent 3<sup>rd</sup> place  
**Donna Dugdale, Tobar Mhoire** - Solo singing 1<sup>st</sup> place  
**Donna Dugdale, Tobar Mhoire** - Puirt-a-beul 2<sup>nd</sup> place



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**ARGYLL AND BUTE COUNCIL**

**Council**

**Customer Services**

**24 November 2016**

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**Budget consultation November 2016 – January 2017**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 This report sets out the public consultation exercise proposed to support the council's budget planning process.
- 1.2 The consultation seeks views on what matters most to communities about the work of the council, as well as on interest in working together through community empowerment. It also invites ideas on transforming the work of the council.
- 1.3 Council is asked to agree the public consultation proposed for November 2016 to January 2017.

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**ARGYLL AND BUTE COUNCIL**

**Council**

**Customer Services**

**24 November 2016**

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**Budget consultation November 2016 – January 2017**

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**2.0 INTRODUCTION**

- 2.1 Argyll and Bute Council will carry out a public consultation exercise to support the process of setting the budget in February 2017.
- 2.2 The proposed consultation seeks views on what matters most to communities about the role and services of the council, on interest in working together through community empowerment and invites ideas on transformation

**3.0 RECOMMENDATIONS**

- 3.1 That Council approves the public consultation proposed for November 2016 – January 2017.

**4.0 DETAIL**

- 4.1 The council's funding allocation for 2017-2018 is expected to be confirmed by the Scottish Government in December 2016. The council's budget will be set in February 2017.
- 4.2 The consultation is planned from 28 November 2016 to 9 January 2017 to seek views on which services are most used by communities, where residents would reduce funding, what matters most in attracting people and jobs, transformation ideas, and working together.
- 4.3 An information booklet is available that outlines the challenge the council faces and steps we have taken and continue to take to meet it.
- 4.4 It is proposed to carry out the consultation exercise using methods that have proven useful to citizens in previous exercises:
- Website/social media questionnaire
  - Citizens Panel survey
  - Reaching young people through our Youth Services
  - Working with our Third Sector Interface partners to reach people who would not normally proactively respond to a survey
  - Printed questionnaires in libraries and customer service points
- 4.5 The consultation will be promoted in different ways:

- On-line (via the website and social media channels)
- Advertising in local media
- Email to community planning partners and community councils
- The Council's weekly news round up

4.6 Findings will be collated and published with the Budget Pack on 9 February 2017 to inform decisions the council takes.

## **5.0 CONCLUSION**

5.1 The consultation will be made available in different ways in order to encourage response from as many residents as possible, in order to inform decisions the council takes.

## **6.0 IMPLICATIONS**

6.1 Policy: Consultation findings will support budget setting decisions

6.2 Financial: costs are allowed for in the Communications/Strategic Finance budgets

6.3 Legal: None

6.4 HR: Change will be managed within all relevant HR policies and procedures

6.5 Equalities: The consultation will be available in different formats

6.6 Risk: Different options are available to suit preferences for responding

6.7 Customer Service: Providing feedback on actions taken following consultation will support residents' involvement in future exercises

**Douglas Hendry**  
**Executive Director of Customer Services**

**Councillor Dick Walsh**  
**Policy Lead for Strategic Finance and Customer Services**  
16 November 2016

**For further information contact:**  
Jane Jarvie, Communications Manager, Tel: 01546 604323

## **APPENDICES**

Appendix 1: Draft consultation

Appendix 2: Budget planning booklet

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## Appendix 1: Budget consultation



### **Planning our Future Consultation November 2016**

#### **Everything matters. What matters most to you?**

Argyll and Bute Council delivers a wide range of services that our communities use now. We also work to protect services and support the area in the longer term. We are doing all this with significantly reducing levels of Scottish Government funding.

Everything we do matters to someone. We would love to do everything our communities want us to, but continually falling funding means that that just isn't an option.

Eighty per cent of our funding is provided by the Scottish Government. We do not yet know what our funding allocation will be for 2017/2018. This will not be announced by the Scottish Government until later in December. However, we must set our budget in February 2017.

We are using this time therefore to seek the views of our communities on what matters most about the role and services of the council.

We have already made millions of pounds of savings over recent years. We have taken on board ideas from our communities in transforming how we work. We have identified a further £1.4 million of efficiency savings for 2017/18 without impact on communities.

We will do as much as we possibly can with whatever resources we have. We will make no more savings than absolutely necessary. We will listen to what you tell us.

These are the toughest of times for councils. Please do take a few minutes to tell us what matters most to you. Thank you for replying to this consultation.

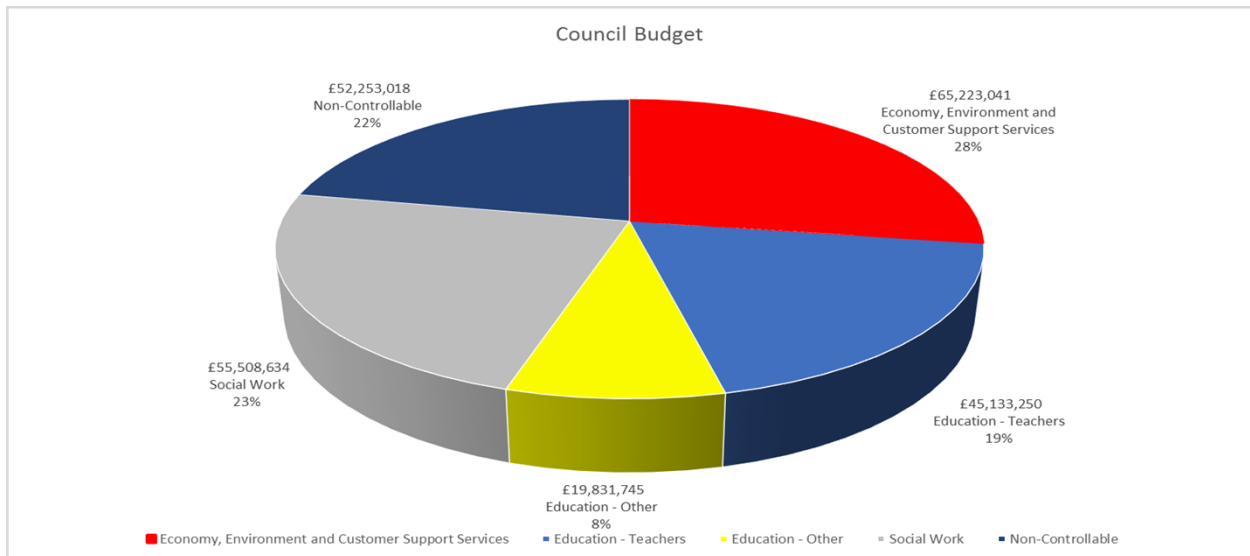
**Councillor Dick Walsh**

**Leader of Argyll and Bute Council**

You can find more information on our funding reductions, and the work the council is doing to deliver services with reduced resources, in the budget planning information booklet [web address will be added].

## Section 1 – The role and services of the Council

Our funding is split across these main categories.



**Economy, Environment, Customer Support** services include for example roads maintenance, refuse collection, planning, environmental health, website, customer service centre, legal and procurement services, school and public transport, economic growth, environmental safety, building standards and community council support.

**Education** includes our 77 primary schools and 10 secondary schools.

Please note: A proportion of the Education budget is committed to the national requirement to maintain teacher numbers, and is not available to reduce.

**Social work services**, now delivered as part of the Health and Social Care Partnership, provide support for vulnerable children and adults.

**'Non-controllable'** expenses include for example loan charges, landfill tax, or energy costs.

### Here is an example of how our services fit together

A roads worker who grits our roads is supported by for example:

- Human Resources, payroll, legal and health and safety services to recruit and pay him/her and ensure safe, legally compliant working conditions
- Procurement services to buy vehicles at the right cost
- Estates and mechanic services to house and maintain vehicles
- Roads engineer support in identifying the best routes to take (we grit over 700 miles of roads when freezing conditions are forecast)

Section 1	The role and services of the Council
Q1	<p><b>Which of these general service categories do you most use?</b> (Please rank in order of preference with 1 as the category you most use)</p> <ul style="list-style-type: none"> <li><input type="radio"/> Education services</li> <li><input type="radio"/> Economy, environment and customer support services</li> <li><input type="radio"/> Social care services</li> <li><input type="radio"/> All of the above</li> <li><input type="radio"/> Other (please give details)</li> </ul>
Q2	<p><b>Where would you reduce funding?</b> (Please rank in order of preference with 1 as your first choice to reduce funding)</p> <ul style="list-style-type: none"> <li><input type="radio"/> Education services</li> <li><input type="radio"/> Economy, environment and customer support services</li> <li><input type="radio"/> Social care services</li> <li><input type="radio"/> All of the above</li> <li><input type="radio"/> Other (please give details)</li> </ul>
Q3	<p><b>What matters most to you about the overall role of the council?</b> (Please rank in order of importance with 1 the most important and 5 the least)</p> <ul style="list-style-type: none"> <li><input type="radio"/> We are a major employer in the area</li> <li><input type="radio"/> We deliver a wide range of services</li> <li><input type="radio"/> We deliver the services you use</li> <li><input type="radio"/> We provide good customer service</li> <li><input type="radio"/> We work to build economic prosperity for Argyll and Bute</li> </ul>
Q4	<p><b>Which of these services is most important for the council to deliver?</b> (Please rank in order of importance with 1 being the most important)</p> <ul style="list-style-type: none"> <li><input type="radio"/> Care for vulnerable people</li> <li><input type="radio"/> Cultural services (e.g. libraries, museum)</li> <li><input type="radio"/> Customer and information services (e.g. website, enquiries, advice services)</li> <li><input type="radio"/> Economic development/business support services</li> <li><input type="radio"/> Education for adults</li> <li><input type="radio"/> Education for children</li> <li><input type="radio"/> Environmental services (e.g. recycling, refuse, street cleaning, flooding protection)</li> <li><input type="radio"/> Job opportunities</li> <li><input type="radio"/> Public transport</li> <li><input type="radio"/> Regulatory services (e.g. planning, trading standards, environmental health)</li> <li><input type="radio"/> Roads</li> <li><input type="radio"/> Sports and leisure</li> <li><input type="radio"/> Other (please specify)</li> </ul>

Q5	<p><b>Where would you reduce funding?</b> (Please rank in order of preference with 1 as your first choice to reduce funding)</p> <ul style="list-style-type: none"> <li>○ Care for vulnerable people</li> <li>○ Cultural services (e.g. libraries, museum)</li> <li>○ Customer and information services (e.g. website, enquiries, advice services)</li> <li>○ Economic development/business support services</li> <li>○ Education for adults</li> <li>○ Education for children</li> <li>○ Environmental services (e.g. recycling, refuse, street cleaning, flooding protection)</li> <li>○ Job opportunities</li> <li>○ Public transport</li> <li>○ Regulatory services (e.g. planning, trading standards, environmental health)</li> <li>○ Roads</li> <li>○ Sports and leisure</li> <li>○ Other (please specify)</li> </ul>
Q6	<p><b>Which of the following matter most for encouraging people to choose Argyll and Bute to grow up, live and work?</b> (Please rank in order of importance with 1 the most important)</p> <ul style="list-style-type: none"> <li>○ Broadband/telecommunications</li> <li>○ Care for vulnerable people</li> <li>○ Good transport connections</li> <li>○ Housing</li> <li>○ Job opportunities</li> <li>○ Skilled workforce</li> <li>○ Support for young people (education, leisure activities, career opportunities)</li> <li>○ Other (please specify)</li> <li>○ Don't know</li> </ul>
Q7	<p><b>Any other comment on the services or role of the council in the community?</b></p>



**Section 2: Transforming our work – to make savings and raise income**

We are transforming how we work in different ways and have taken action on ideas given to us already by communities. The Council has a wide range of resources, for example, vehicles, buildings, or professions and skills relevant to other businesses. We invite additional suggestions for making savings or raising income.

Section 2	Transforming our work – to make savings and raise income
Q8	<p>Providing services on-line saves the council money and can make services more easily available to customers.</p> <ul style="list-style-type: none"> <li>- The average cost for the Council to process a payment or service request:               <ul style="list-style-type: none"> <li>o In person at our Customer Service Points = £11.33</li> <li>o By phone = £2.03</li> <li>o Online = 22 pence</li> </ul> </li> </ul> <p><b>Are there services you use or information you get from us face-to-face, by telephone or printed material (such as leaflets) that you think could be available instead on-line?</b></p> <ul style="list-style-type: none"> <li>o No</li> <li>o Yes – please explain</li> </ul>
Q9	<p><b>How could we help you work more with us on-line and save money for services?</b> (Please rank in order of importance with 1 as the most important)</p> <ul style="list-style-type: none"> <li>o Provide information on what services are available on-line and where</li> <li>o Explain how to use services on-line</li> <li>o Make a computer or other device available for me to use</li> <li>o Other (please explain)</li> </ul>
Q10	<p><b>Where do you get information on council services?</b> (Please rank in order of importance with 1 as the most important)</p> <ul style="list-style-type: none"> <li>o Council website</li> <li>o Twitter</li> <li>o Facebook</li> <li>o Email</li> <li>o Word of mouth</li> <li>o Leaflets and posters</li> <li>o Local newspapers</li> <li>o Local radio stations</li> <li>o Other (please give details)</li> </ul>
Q11	<p><b>What suggestions do you have for raising income or making savings for council services?</b></p>

### Section 3 Working together

The Community Empowerment (Scotland) Act is about giving community bodies the opportunity to have a greater role in public services, through ownership and control of land and buildings, and stronger voices in service decisions.

Section 3	Working together
Q12	<p><b>Are there areas of the council's work which you would like to be involved in delivering?</b> (Please choose all of the options below that apply)</p> <ul style="list-style-type: none"> <li><input type="radio"/> Education services</li> <li><input type="radio"/> Economy, environment and customer support services</li> <li><input type="radio"/> Social care services</li> <li><input type="radio"/> None</li> <li><input type="radio"/> Don't know</li> <li><input type="radio"/> Other</li> </ul> <p>Please give details of any areas of the Council's work you would like to be involved in delivering</p>
Q13	<p>Joining our Citizens Panel means that you will receive surveys now and again asking for your views on the work of the Council and our partner agencies. Residents are invited to join.</p> <p><b>Would you like to be a member of our Citizens Panel?</b></p> <ul style="list-style-type: none"> <li><input type="radio"/> Yes (please go to <a href="http://www.argyll-bute.gov.uk/citizenspanel">www.argyll-bute.gov.uk/citizenspanel</a>)</li> <li><input type="radio"/> No. (It would be helpful please to know why not)</li> </ul>

**Thank you for taking time to give us your views.**



**Everything matters. What matters most?**

# **Budget planning information**



**November 2016**

## INTRODUCTION

Argyll and Bute Council must deliver significant change in order to deal with the impact on services of on-going reductions in Scottish Government funding, and to achieve the long term goal of prosperity for Argyll and Bute.

Our funding allocation for 2017/2018 will not be confirmed by the Scottish Government until the middle of December 2016; we must set our budget in February 2017.

Everything we do matters. Drastically falling funding means we must identify what matters most, to communities now and to Argyll and Bute in the longer term.

In the pages that follow we summarise steps we have already taken, to meet the challenge of on-going funding reductions, to match spend to your priorities, and to invest in building a prosperous future for Argyll and Bute.

We explain our approach to budget planning and making best use of whatever level of funding the council is allocated by the Scottish Government.

The challenge we, like all councils, face is significant. It means delivering major change.

I invite you to find out more by reading this guide, and to please give us your views on what matters most to you by replying to our consultation:[website address will be added]

**Councillor Dick Walsh**  
**Leader of Argyll and Bute Council**



## CONTENTS

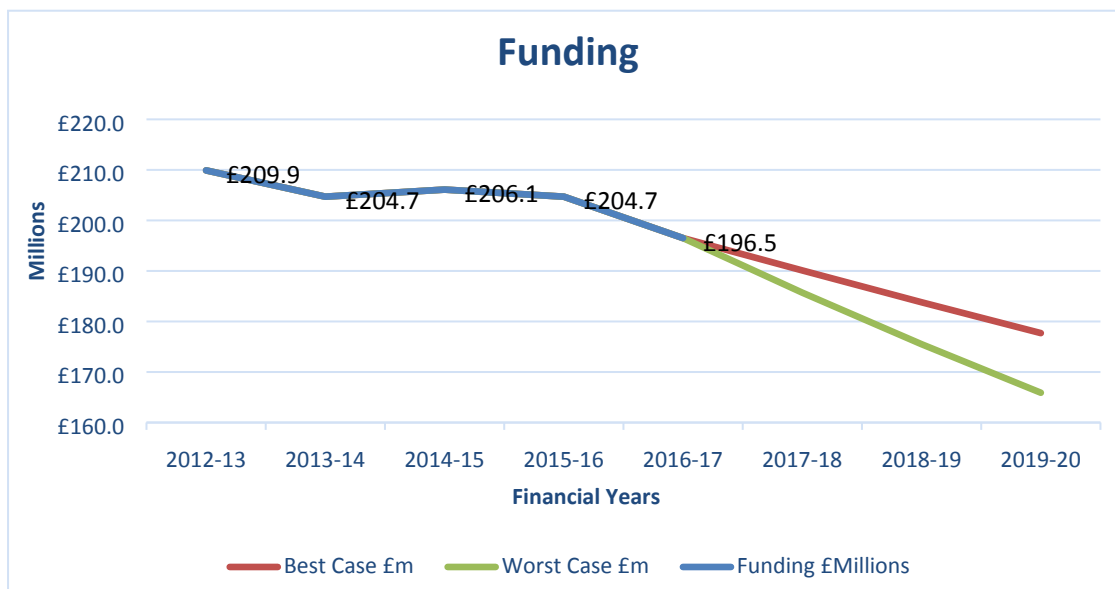
Page 3 – Our Challenge

Page 5 – Budget Outlook to 2020

Page 7 – Planning to meet the budget challenge

**OUR CHALLENGE : FINANCIAL**

80% of our funding is provided by the Scottish Government. This has been falling year on year.



Over recent years the council has already identified millions of pounds of savings.

Last year, with in-put from our communities, we bridged a funding gap of £10 million through efficiencies, transformation and difficult decisions about services we deliver.

We have worked hard to find another £1.4 million of operational savings in 2017/18.

Our Scottish Government funding is expected to continue falling as explained in the Budget Outlook section.

**OUR CHALLENGE: DEMAND FOR OUR SERVICES**

Our communities are spread across the second largest council area in Scotland and on the highest number of inhabited islands (23) of all Scottish councils.

Our population is growing in age and reducing in number. This increases demand on care services, and increases the risk to funding for all services, as central government funding relates to the size of our population.

**OUR CHALLENGE: BUILDING A FUTURE FOR ARGYLL AND BUTE**

To attract more people and jobs to the area, at a time when we must make savings, we must also invest in delivering these key outcomes, with our partners, as set out in our Single Outcome Agreement (Local Outcomes Improvement Plan):

1. The economy is diverse and thriving.
2. We have infrastructure that supports sustainable growth.
3. Education, skills and training maximises opportunities for all.
4. Children and young people have the best possible start.
5. People live active, healthier and independent lives.
6. People live in safer and stronger communities.



Meeting such significant challenge means delivering major change.

**OUR CHALLENGE: MATCHING SPEND TO PRIORITIES**

We have worked hard to match spending to the priorities of our communities now, and of the area into the future. Here is a summary of actions we have taken, in response to recent consultations.

You said this matters	We did
Investing in the future Investing to create jobs	<ul style="list-style-type: none"> <li>• We put in place a £75 million package of measures to develop our economy and attract people and jobs.</li> <li>• We established the Argyll, Lomond and Islands Rural Regeneration Initiative.</li> <li>• We are regenerating and restoring our key towns - Campbeltown, Helensburgh, Oban, Rothesay, Dunoon, Tarbert and Lochgilphead.</li> <li>• We launched the well-received Rural Resettlement Fund for people or businesses moving to the area.</li> <li>• We used voluntary redundancy to create job opportunities as far as possible for employees affected by change and wishing to continue working with the Council</li> </ul>
Education services	<ul style="list-style-type: none"> <li>• We spend more funding to education services than to any other area of work.</li> </ul>
The road network	<ul style="list-style-type: none"> <li>• Dedicated over £30 million in the past four years to the road network.</li> </ul>
A wide range of services is available	<ul style="list-style-type: none"> <li>• We spread savings and efficiencies across a range of our services, for example, removing vacant posts or reducing print and postage costs.</li> </ul>

In 2015/2016 we identified over 140 savings options for your consideration.

### You said / We did

- Overall citizens agreed/strongly agreed with the majority of savings options we presented to you, covering a wide range of the Council's work
- We accepted in full the savings options with which you most agreed.
- We rejected in full or in part the savings options with which you most disagreed.
- We actioned a range of ideas you provided for innovation and savings, for example: we're reducing print and postage costs, we increased charges for some services to save jobs, our 'Digital First' initiative is developing channels to support service delivery.

### BUDGET OUTLOOK 2020

Our budget is made up of revenue and capital funding. Revenue funding pays for the day to day services we deliver. Capital funding pays for the assets we need to develop and deliver services, for example buildings.

### REVENUE BUDGET FUNDING

Councils expect to have our revenue grant funding allocation for 2017/2018 announced by the Scottish Government in December 2017.

#### What are the budget predictions for Argyll and Bute Council?

- Estimates indicate that Argyll and Bute Council will have a funding gap, over the period 2017/2018 to 2019/2020, of between £18.2 million and £39.9 million, with a gap of between £4.0 million and £13.1 million in 2017-18.





## NATIONAL REQUIREMENTS

The use councils make of their funding is sometimes shaped or directed by national requirements. For example, in 2016-17, the Scottish Government set three main requirements (below) for councils to meet in order to secure funding which, in the case of Argyll and Bute Council, amounted to £6.872 million.

- Freeze council tax
- Maintain the pupil teacher ratio at the same level as 2015 and secure places for all probationer teachers who need one.
- Integration Fund to be used to support the transformation of health and social care services, manage growth in demand and increase payment to the Living Wage for all social care workers from 1 October 2016.

## ADDITIONAL COST IMPACTS ON OUR BUDGET

Costs in delivering services can increase significantly for example on account of

- Inflation, for example on fuel, landfill tax, contract payments
- Employee contractual changes
- Complying with guidance and legislation, for example the Living Wage, the Carer's Act, Children and Young Person's Act, apprenticeship levy

## CAPITAL BUDGET DEMANDS

We also receive capital grant funding from the Scottish Government. We work hard to deliver the maximum benefit from this. Our approach is based on three key elements:

- Asset sustainability: this is about maintaining or investing in our buildings so that they continue to be fit for purpose.
- Service development: this is about investing in assets to help improve service delivery. Projects in this category are typically under £1,000,000 in capital costs.
- Strategic change: this is about investing in our assets to support fundamental service development, for example bringing a range of services together in one new building. Projects in this category would typically be at least £1,000,000 in capital costs.



## BUDGET IMPLICATIONS

Scottish Government capital grant funding is expected to continue at current levels approximately.

However in order to achieve significant change we may need to increase financial borrowing which will have an impact on the revenue budget.

## PLANNING TO MEET THE BUDGET CHALLENGE

Argyll and Bute Council is using a range of approaches to make our resources stretch and meet community expectation as far as possible.

Here are just some examples of actions we are taking.

Transforming how we work	Investing for income
<ul style="list-style-type: none"> <li>• We are progressing development of a charitable Trust that brings together council owned community halls, libraries, swimming pools and fitness facilities, and will secure 125 jobs (FTE)</li> <li>• In line with the national initiative, our adult and children social care services are managed and delivered by the Argyll and Bute Health and Social Care Partnership.</li> <li>• We explored ideas put forward by our communities, on transformation and savings, and where possible, put those into action.</li> </ul>	<ul style="list-style-type: none"> <li>• We created an Asset Management and Investment Fund to generate income.</li> <li>• By investing in the Scottish Government's HUB initiative, focused on delivering schools major capital projects, we will secure a rate of return in the region of around 10% annually – more than is available via ordinary investments.</li> <li>• Careful investment also secured a consistently higher rate of return than average, generating an additional £0.2 million for the Council.</li> </ul>
Value for money - efficiencies	Empowering communities
<ul style="list-style-type: none"> <li>• We have identified millions of pounds of savings year on year over the past 6 years and continue to deliver a wide range of services.</li> <li>• We have identified an additional £1.4 million of operational savings for 2017/2018. (*)</li> <li>• Through effective financial planning we delivered £1 million of savings in loan charges during 2015-16.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed to develop a participatory budgeting scheme for Area Committees.</li> <li>• Allocated £300,000 funding for Christmas lights across the area, to be managed by Area Committees and long term funding to be identified.</li> <li>• Working to support the introduction of the Community Empowerment (Scotland) Act.</li> </ul>

(\*) Operational savings include for example:

- Making savings of £400,000 across the Council in utility costs (gas and heating oils) through a corporate approach to managing these costs.
- Increasing vacancy savings (i.e. reducing employee costs by keeping vacated posts empty for longer)
- Reducing the corporate training budget by 15%

**SIGNIFICANT CHALLENGE MEANS MAJOR CHANGE**

The information set out in this document highlights just how difficult it is going to be to balance demand for services, investment in the future and continually reducing Scottish Government funding.

Please do take the chance to tell us what matters most to you by answering our consultation – [www.argyll-bute.gov.uk/planningourfuture](http://www.argyll-bute.gov.uk/planningourfuture)

Thank you for taking time to give us your views.

**Councillor Dick Walsh**  
**Leader of Argyll and Bute Council**



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**ARGYLL AND BUTE COUNCIL****COUNCIL****STRATEGIC FINANCE****24 NOVEMBER 2016**

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**MANAGEMENT/OPERATIONAL SAVINGS FOR 2017-18**

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**1. EXECUTIVE SUMMARY**

- 1.1 The latest budgetary outlook report, which was presented to Policy and Resources Committee on 27 October 2016 outlined that the funding gap estimated over the three year period 2017-18 to 2019-20 is between £18.2m and £39.9m with an estimated gap of between £4.0m and £13.1m in 2017-18.
- 1.2 One of the options to assist in balancing the budget is the setting of an efficiency saving target with officers identifying management/operational savings that have no policy implications, to meet the target. In terms of a target, 2% is deemed to be an acceptable level of saving.
- 1.3 This report provides information on savings options identified amounting to £1.403m (full year), with £1.377m deliverable in 2017-18. The savings options identified have no policy implications.
- 1.4 Community Services haven't identified sufficient savings to meet the 2% target. A large element of their target is linked to teacher expenditure and due to the Scottish Government teacher number commitment it is not possible to make savings in this area. Any further savings in Education would likely have policy implications which aren't being considered within this report.
- 1.5 In respect of Integration Services, it is the responsibility of the IJB to agree savings options and therefore, at this stage, the Chief Officer of the IJB has been advised of the possible efficiency saving target in order that she may consider potential savings options in advance of the Council setting its budget in February 2017. However, the level of savings that can be passed onto the IJB may be influenced by any conditions attached to the settlement.
- 1.6 Further consideration needs to be given to other savings proposals to balance the budget. The financial settlement is due on 15 December 2016 and at this time, the actual funding gap for 2017-18 should be clearer.
- 1.7 Members are recommended to note the management/operational savings identified and note that officers will proceed to implement these savings as part of normal business.

**MANAGEMENT/OPERATIONAL SAVINGS FOR 2017-18**

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**2. EXECUTIVE SUMMARY**

- 2.1 The latest budgetary outlook report, which was presented to Policy and Resources Committee on 27 October 2016 outlined that the funding gap estimated over the three year period 2017-18 to 2019-20 is between £18.2m and £39.9m with an estimated gap of between £4.0m and £13.1m in 2017-18.
- 2.2 Officers have been working on identifying 2% management/operational savings that could assist in closing the budget gap for 2017-18 and this report provides information on savings options identified. The savings options identified have no policy implications.

**3. RECOMMENDATIONS**

- 3.1 Members are recommended to note the management/operational savings identified and note that officers will proceed to implement these savings as part of normal business.

**4. DETAIL****4.1 Background**

- 4.1.1 A budgetary outlook has been prepared for the period 2017-18 to 2019-20 and this was considered by the Policy and Resources Committee at their meeting on 27 October 2016.
- 4.1.2 The budget gap estimated over the three year period is between £18.2m and £39.9m with an estimated gap of between £4.0m and £13.1m in 2017-18.
- 4.1.3 One of the options to assist in balancing the budget is the setting of an efficiency saving target with officers identifying management/operational savings that have no policy implications, to meet the target. In terms of a target, 2% is deemed to be an acceptable level of saving. Due to previous years savings, there is little scope over and above this to deliver savings that are efficiency in nature.
- 4.1.4 Officers have been working on identifying 2% management/operational savings and information is contained within this report.

## 4.2 Calculating the Target

- 4.2.1 The Council's approved budget for 2016-17 amounts to £237.949m. In setting an efficiency savings target, there are a number of budgets, amounting to £52.253m where little efficiency savings can be achieved, or are already included within the budgetary outlook, and they have been excluded from the process and are noted in the table below:

<b>Budget Area</b>	<b>Budget 2016-17 £000</b>
Loans Charges	19,265
Insurances	1,031
Joint Boards	1,370
Non-Domestic Rates	4,608
Landfill Tax	2,726
Waste PPP	5,316
NPDO	15,082
Unfunded Pensions	1,894
Chief Executive's Budget	191
Central Energy Budgets including amount set aside for Carbon Reduction Scheme allowances	425
Other Sundry Budgets, including Audit Fee and Bank Charges	345
<b>Total</b>	<b>52,253</b>

- 4.2.2 After accounting for the exclusions noted above, this leaves a total of £185.696m. This has been further adjusted to take off a one-off cost pressure in respect of Broadband Pathfinder that was included in the 2016-17 budget and savings for future years that have already been agreed. This leaves a balance of £180.548m. A 2% efficiency saving target would amount to savings of £3.610m split across departments, as noted in the table below:

<b>Department</b>	<b>Adjusted Budget £000</b>	<b>2% Target £000</b>
Chief Executive's Unit	1,655	33
Community Services	72,648	1,453
Customer Services	28,575	571
Development and Infrastructure Services	21,057	421
Other – Elected Members	1,104	22
Integration Services	55,509	1,110
<b>Total</b>	<b>180,548</b>	<b>3,610</b>

- 4.2.3 In respect of Integration Services, it is the responsibility of the IJB to agree savings options and therefore, at this stage, the Chief Officer of the IJB has been advised of the possible efficiency saving target in order that she may

consider potential savings options in advance of the Council setting its budget in February 2017. However, the level of savings that can be passed onto the IJB may be influenced by any conditions attached to the settlement.

### 4.3 Savings Identified

4.3.1 Savings identified by departments are summarised within the table below:

<b>Department</b>	<b>2% Target</b>	<b>Savings Identified 2017-18 (part year)</b>	<b>Savings Identified (full year effect)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive's Unit	33	28	33
Community Services	1,453	335	356
Customer Services	571	571	571
Development and Infrastructure	421	421	421
Other – Elected Members	22	22	22
<b>Total (excluding Integration Services)</b>	<b>2,500</b>	<b>1,377</b>	<b>1,403</b>

4.3.2 It can be noted from the table above that Community Services haven't identified savings to meet their 2% target. A large element of the target is linked to teacher expenditure and due to the Scottish Government teacher number commitment it is not possible to make savings in this area. Any further savings in Education would likely have policy implications which aren't being considered within this report.

4.3.3 The savings options will have an impact for 5.5 full time equivalent (FTE) posts.

## 5. CONCLUSION

5.1 Management/operational savings have been identified amounting to £1.403m (full year), with £1.377m deliverable in 2017-18. Officers will proceed to implement these savings as part of normal business.

5.2 Further consideration needs to be given to other savings proposals to balance the budget, these could be both further efficiencies or those with policy implications. The financial settlement is due on 15 December 2016 and at this time, the gap for 2017-18 should be clearer.

## 6. IMPLICATIONS

6.1 Policy – None.

6.2 Financial - Savings options identified would contribute to the budget gap estimated for 2017-18.

- |     |                    |   |
|-----|--------------------|---|
| 6.3 | Legal -            | None identified at this stage.  |
| 6.4 | HR -               | HR implications have been identified for each saving option.  |
| 6.5 | Equalities -       | Risks in relation to equalities have been identified where appropriate, however, EQIAs will be carried out as required. |
| 6.6 | Risk -             | Risks have been identified for each saving option.  |
| 6.7 | Customer Service - | Impact on service delivery has been identified for each saving option.  |

**Kirsty Flanagan**  
**Head of Strategic Finance**  
**31 October 2016**

**Dick Walsh – Policy Lead for Strategic Finance**

**APPENDICES:**

Appendix 1 – List of Management/Operational Savings 2017-18

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2% Savings Options - Management/Operational

Appendix 1

Ref	Department	Service	Description of Option	Impact on Service Delivery	Policy Implication	Risks	Implementation Date of Saving	2017-18 Part Year		Full Year Saving	
								Budget Reduction (Part Year) £000	FTE Reduction	Budget Reduction (Full Year) £000	FTE Reduction
CEU01	Chief Executive's Unit	Strategic Finance	Reduction to staff establishment which will be achieved by further automation of processes as well as prioritising workload and extending response times.	Support provided by Strategic Finance will be prioritised and in some instances there could be extended response times. In terms of staff impact, one member of staff will be made redundant and some of the workload will require to be absorbed by the remaining staff.	None.	Further dilution of the financial support which increases the risk on ensuring that the Council's finances are managed effectively. There is no risk in terms of equalities.	Due to lead in time for redundancy, saving will be delivered from 1 June 2016.	28	1.0	33	1.0
CUST01	Customer Services	Executive Director	Increase to Departmental Vacancy Savings Target - The department have consistently over-achieved in recovering vacancy savings in previous financial years.	An increased target will be more challenging to achieve, particularly with a reduced baseline employee budget with the removal of posts through Service Choices. Department may need to take action to achieve savings if they are not on track during the year, this may include a longer delay to recruiting to vacant posts.	None.	Risk that increased target will not be achieved on a recurring basis. Mitigating actions can be put into place to monitor the position on a monthly basis and take management action to bring this back into line.	1st April 2017	200	0.0	200	0.0
CUST02	Customer Services	Facility Services	Catering and Cleaning External Contracts - Cost pressures were approved a number of years ago for external catering and cleaning contracts. There was an expectation at the time that these contracts would not be renewed, resulting in the loss of income. This has not yet happened.	No impact on current service delivery.	None.	If external contracts are lost in the future there will be a cost pressure, which Facility Services would require to fund. It is unlikely that the service will lose these contracts as there is limited capacity with other service providers in the area.	1st April 2017	60	0.0	60	0.0
CUST03	Customer Services	Across Department	Utility costs - departmental share of efficiency savings. There is a corporate approach adopted for the monitoring and management of utility costs across the Council. There have been significant price reductions in energy costs, in particular for gas and heating oils. The total saving to be removed from this £4.1m budget in 2017-18 is £400k across the Council.	None.	None.	Exposure to risk of energy cost price fluctuations, reduced budget will lead to requirement to review budget annually for inflation and commodity price variations. This has been mitigated by a conservative estimate of savings being removed from the budget with an allowance for the anticipated cost changes in 2017-18.	1st April 2017	76	0.0	76	0.0
CUST04	Customer Services	Customer and Support Services	Housing Benefit Overpayment Recoveries - The Council receives a reduced subsidy in respect of Housing Benefit over-payments from the DWP. In addition we recover c 70% of these overpayments from individuals. We have been one of the first authorities to bring in direct earnings arrestments, a new recovery route recently brought in by DWP. This good level of recoveries gives a sound basis for projecting additional income in 2017-18 of £70k.	None, Housing Benefit over payments are managed in terms of the corporate debt recovery process. There has been additional income from HB overpayment recoveries but this hasn't been included in the budget.	None.	Risk if levels of recoveries drop and don't meet the level of saving. This can be monitored during the year.	1st April 2017	70	0.0	70	0.0
CUST05	Customer Services	Facility Services	School and Public Transport - savings from procurement of services and inflationary uplifts on contracts.	None based on the current level of demand and commitment against the budget.	None.	Significant risk in relation to accommodating any increase in service provision in line with demand or cost increases. This may be an increase in cost as a result of requirements from the Education Service to provide statutory pupil transport, the price risk when routes are put out for tender and the sensitivity of contracts to fuel price changes. The removal of this saving will result in a higher risk of cost pressures in this service areas in the future.	1st April 2017	100	0.0	100	0.0

2% Savings Options - Management/Operational

Appendix 1

Ref	Department	Service	Description of Option	Impact on Service Delivery	Policy Implication	Risks	Implementation Date of Saving	2017-18 Part Year		Full Year Saving	
								Budget Reduction (Part Year) £000	FTE Reduction	Budget Reduction (Full Year) £000	FTE Reduction
CUST06	Customer Services	Customer and Support Services	Housing Benefit Administration Subsidy - the service were expecting a significant reduction in the level of Housing Benefit admin subsidy due to posts that were to transfer to the DWP. This reduction was not as high as expected.	None.	None.	None.	1st April 2017	37	0.0	37	0.0
CUST07	Customer Services	Improvement and HR	Salary sacrifice scheme - national insurance savings from the childcare voucher salary sacrifice scheme are currently held in an account to fund childcare vouchers for employees on statutory leave, for example maternity leave. This saving represents a top slice of the NI savings.	None.	None, there would still be sufficient funding in the account to fund future statutory leave periods for employees. This requirement may change as there has been a challenge to this position in terms of the legal requirements to do this.	Risk of non-recurring saving if the number of employees receiving childcare vouchers reduces significantly, saving is a conservative estimate based on current level of uptake, which has been consistent for a period of time.	1st April 2017	12	0.0	12	0.0
CUST08	Customer Services	Improvement and HR	Reduction to Corporate Training Budget - saving represents a 15% reduction to the budget available for the delivery of the corporate training plan.	Reduced capacity to deliver corporate training plan aligned to employee requirements as identified through PRDs.	None.	Corporate training plan would require to be reduced in line with this reduction in available budget, risk of not delivering training requested by employees. This risk can be mitigated by the prioritisation of the training plan and the available budget earmarked for the delivery of training, some of which will be utilised to shift training to online delivery.	1st April 2017	16	0.0	16	0.0
CS01	Community Services	Across Department	Utility costs - departmental share of efficiency savings. There is a corporate approach adopted for the monitoring and management of utility costs across the Council. There have been significant price reductions in energy costs, in particular for gas and heating oils. The total saving to be removed from this £4.1m budget in 2017-18 is £400k across the Council.	None	None	Exposure to risk of energy cost price fluctuations, reduced budget will lead to requirement to review budget annually for inflation and commodity price variations. This has been mitigated by a conservative estimate of savings being removed from the budget with an allowance for the anticipated cost changes in 2017-18.	01/04/2017	229	0.0	229	0.0
CS02	Community Services	Community Services	Review of management structure.	The staffing establishment would reduce by circa 2 management posts with no significant impact on the delivery of front line services.	None	There would be a reduction in management capacity and a knowledge gap loss.	Due to lead in time for redundancy, saving will be delivered from 1 June 2017.	107	2.0	128	2.0
DIS01	Development and Infrastructure	Across Department	Utility costs - departmental share of efficiency savings. There is a corporate approach adopted for the monitoring and management of utility costs across the Council. There have been significant price reductions in energy costs, in particular for gas and heating oils. The total saving to be removed from this £4.1m budget in 2017-18 is £400k across the Council.	None.	None.	Exposure to risk of energy cost price fluctuations, reduced budget will lead to requirement to review budget annually for inflation and commodity price variations. This has been mitigated by a conservative estimate of savings being removed from the budget with an allowance for the anticipated cost changes in 2017-18.	1st April 2017	41	0.00	41	0.00
DIS02	Development and Infrastructure	Across Department	Increase to Departmental Vacancy Savings Target - The department have consistently over-achieved in recovering vacancy savings in previous financial years.	An increased target will be more challenging to achieve, particularly with a reduced baseline employee budget with the removal of posts through Service Choices. Department may need to take action to achieve savings if they are not on track during the year, this may include a longer delay to recruiting to vacant posts.	None.	Risk that target will not be achieved on a recurring basis due to reduced contributions. Mitigating actions can be put into place to monitor the position on a monthly basis and take management action to bring this back into line.	1st April 2017	49	0.00	49	0.00

## 2% Savings Options - Management/Operational

## Appendix 1

Ref	Department	Service	Description of Option	Impact on Service Delivery	Policy Implication	Risks	Implementation Date of Saving	2017-18 Part Year		Full Year Saving	
								Budget Reduction (Part Year) £000	FTE Reduction	Budget Reduction (Full Year) £000	FTE Reduction
DIS03	Development and Infrastructure	Roads and Amenity Services	Vacant post - there are a number of posts that have remained vacant for a number of years. These posts have contributed to vacancy savings.	Will reduce the contribution to vacancy savings and make the vacancy savings more challenging. Department may need to take action to achieve savings if they are not on track during the year, this may include a longer delay to recruiting to vacant posts.	None.	Risk that increased target will not be achieved on a recurring basis. Mitigating actions can be put into place to monitor the position on a monthly basis and take management action to bring this back into line.	1st April 2017	84	2.50	84	2.50
DIS04	Development and Infrastructure	Marine Services	Increase income from additional berthing, car and passenger dues since the introduction of RET	None	None.	That the number of additional berthings, car and passenger dues drop.	1st April 2017	200	0.00	200	0.00
DIS05	Development and Infrastructure	Regulatory Services	Reduce the environmental health budget for scientific services budget by remodelling and reducing our sampling programme	Will reduce our monitoring ability but still retain access to the services of GSS to support the statutory work of environmental health	None.	That we do not meet the savings target, in the event of unplanned outbreaks which require significant monitoring and analysis.	This saving can be delivered from April 2017	15	0.00	15	0.00
DIS06	Development and Infrastructure	Regulatory Services	Realise savings by releasing underspend in the tobacco control budget which funds the age-related sales activities and tobacco enforcement work.	This funds the age-related sales activities and tobacco enforcement work undertaken by the service which is targeted at protecting children and part of the national strategy to reduce smoking. There is a current underspend in this budget and savings can be provided as this work is integrated into the operational work.	None.	This work will require to be fully integrated into the work of the operational team and will replace other project related work. There will be a reduction in our capacity to undertake preventative project work.	This saving can be delivered from April 2017	4	0.00	4	0.00
DIS07	Development and Infrastructure	Regulatory Services	Reduction in trading standards budget for calibration and test services	We have negotiated a service at a cost below the current budget	None.	Potential that costs will rise in future	This saving can be delivered from April 2017	2	0.00	2	0.00
DIS08	Development and Infrastructure	Development Policy	Projected surplus building warrant fees due to additional rolling contract work with Babcocks International to provide building standard service at Faslane and Coulport. This was previously delivered by private sector.	None.	None.	That projected fee income does not match projection.	1st April 2017	13	0.00	13	0.00
DIS09	Development and Infrastructure	Projects and Renewables	To cease annual payment to Lower Clyde Greenspace/Inverclyde Council, towards Officer salary costs	Given that we have recently recruited H&L Project Officer, any elements of work previously covered through Lower Clyde Greenspace partnership working can be picked up by the new H&L Officer	None	Low	1st April 2017	11	0.00	11	0.00
DIS10	Development and Infrastructure	Airports- Glenforsa	Removal of third party payments budget.	None - the operation of Glenforsa has been leased out and is no longer anything to do with the Council (operationally).	None identified	The operator of Glenforsa does not renew his lease (5 year term). The income	1st April 2017	2	0.0	2	0.00
OTH01	Other	Elected Members	A further reduction to the Elected Members budget over and above the savings removed as part of the 2016-17 budget. Based on a review of account codes, there are some areas of underspend within allowances, travel and superannuation where the budget could be reduced.	None.	None.	Actual expenditure cannot be contained within budget.	01-Apr-17	22	0.0	22	0.0
								1,377	5.5	1,404	5.5

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**ARGYLL AND BUTE COUNCIL****COUNCIL****STRATEGIC FINANCE****24 NOVEMBER 2016**

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**AUDITED ACCOUNTS 2015-16**

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**1. EXECUTIVE SUMMARY**

1.1 Audit Scotland have now completed their audit of the Council's Accounts for the year to 31 March and also the Charitable Trusts administered by the Council and have issued audit certificates containing no qualifications. The Council's Accounts and the Charitable Trust Accounts incorporating the audit certificates are on the Council's website on the following link:

<https://www.argyll-bute.gov.uk/council-and-government/financial-statements>

1.2 Audit Scotland carried out their external audit of the Accounts and the audit was completed within the timescale of 30 September. The Audit Committee at its meeting on 23 September approved the Accounts for issue.

1.3 There were only two significant adjustments to the Accounts as noted below, in addition to a few presentational adjustments:

- A reduction in the loan interest accrual £0.263m as a result of an error in the original calculation.
- A reduction in debtor balances of £0.035m to correct adjustments in the debtors reconciliation.

1.4 The effect of these adjustments was to reduce the deficit on the Provision of Services by £0.228m which increased the General Fund Balance by the same amount.

1.5 The External Auditors Annual Report is generally positive. It notes that the financial management arrangements during 2015-16 have been effective, there is an effective internal audit function and effective systems of internal control are in place. In terms of financial sustainability it is noted that the Council, in common with many other authorities, faces significant financial challenges over the coming years and further work is required to address these challenges. It further notes that uncertain single year financial settlements, ring fenced conditions and the relatively late confirmation of awards add to these challenges.

1.6 The Council is recommended to:

- Note that unqualified certificates have been issued for both the Council Accounts and the Charitable Trusts and these are now included within the Accounts on the Council's website.
- Note the report on the Council 2015-16 Annual Audit and the report on the Charitable Trusts administered by the Council.

**AUDITED ACCOUNTS 2015-16**

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**2. INTRODUCTION**

- 2.1 Audit Scotland have now completed their audit of the Council's Accounts for the year to 31 March and also the Charitable Trusts administered by the Council and have issued audit certificates containing no qualifications. The Council's Accounts and the Charitable Trust Accounts incorporating the audit certificates are on the Council's website on the following link:

<https://www.argyll-bute.gov.uk/council-and-government/financial-statements>

- 2.2 Audit Scotland have issued the 2015-16 Annual Audit Report to Members and the Controller of Audit and this is attached as Appendix 2. A further report on the Charitable Trusts administered by the Council is attached as Appendix 3.

**3. RECOMMENDATIONS**

- 3.1 Note that unqualified certificates have been issued for both the Council Accounts and the Charitable Trusts and these are now included within the Accounts on the Council's website.
- 3.2 Note the report on the Council 2015-16 Annual Audit and the report on the Charitable Trusts administered by the Council.

**4. DETAIL**

- 4.1 The Council Accounts were completed and submitted by the statutory date of 30 June along with the Accounts for the Charitable Trusts administered by the Council.
- 4.2 Audit Scotland carried out their external audit of the Accounts and the audit was completed within the timescale of 30 September. The Audit Committee at its meeting on 23 September approved the Accounts for issue.
- 4.3 The audit certificate on the Council's accounts for the year ended 31 March 2016 contains no qualifications. External audit were able to conclude that the Council's Accounts present a true and fair view of its financial position as at 31 March 2016.
- 4.4 There were only two significant adjustments to the Accounts as noted below, in addition to a few presentational adjustments:
- A reduction in the loan interest accrual £0.263m as a result of an error in the original calculation.
  - A reduction in debtor balances of £0.035m to correct adjustments in the debtors reconciliation.

- 4.5 The effect of these adjustments was to reduce the deficit on the Provision of Services by £0.228m which increased the General Fund Balance by the same amount. The detail of the changes within the annual accounts is noted in Appendix 1.
- 4.6 The audit identified errors where it was agreed not to amend the accounts. These would have reduced the General Fund Balance by £0.037m.
- 4.7 The committed funds within the General Fund Balance are £43.272m per the audited Accounts. This leaves an unallocated General Fund balance of £9.145m. This equates to 3.9% of the Council's budgeted net expenditure for 2016-17 and exceeds the agreed contingency level approved as part of the 2016-17 budget process.
- 4.8 The External Auditors Annual Report is generally positive. It notes that the financial management arrangements during 2015-16 have been effective, there is an effective internal audit function and effective systems of internal control are in place. In terms of financial sustainability it is noted that the Council, in common with many other authorities, faces significant financial challenges over the coming years and further work is required to address these challenges. It further notes that uncertain single year financial settlements, ring fenced conditions and the relatively late confirmation of awards add to these challenges.
- 4.9 Appendix IV of the Annual Report outlines the action plan agreed with officers to address issues identified during the audit. The actions are in relation to:
- Financial Planning
  - Transformational Savings
  - Gourock to Kilcreggan Ferry Service
  - Best Value Improvement Actions
  - People Strategy

## 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. |

**Kirsty Flanagan**  
**Head of Strategic Finance**  
**31 October 2016**

**Dick Walsh Council Leader and Policy Lead for Strategic Finance**

For further information please contact Peter Cupples, Finance Manager – Corporate Support 01546-604183.

Appendices:

Appendix 1 – Summary of Main Changes to Financial Statements Arising from Audit

Appendix 2 – Annual Audit Report

Appendix 3 – Charitable Trusts administered by the Council Annual Report



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

<b>Section of Financial Statements Changes</b>	<b>Audited Accounts £000s</b>	<b>Unaudited Accounts £000s</b>	<b>Change £000s</b>	<b>Comments / Explanation</b>
<b>Comprehensive income &amp; Expenditure Account (Pages 50-51 of audited accounts)</b>				
Net cost of services	263,127	263,252	125 (Cr)	Correction of Loan Interest Accrual
Total Other Operating Income and Expenditure	1,696	1,661	35 (Dr)	Correction of Debtors Balances
Total Financing and Investment Income and Expenditure	19,210	19,348	138 (Cr)	Correction of Loan Interest Accrual
(Surplus) / Deficit on Provision of Services	19,425	19,653	228 (Cr)	Net effect of above
<b>Statement of Movement in Reserves (Pages 46-47 of audited accounts)</b>				
Surplus) / Deficit on Provision of Services	19,425	19,653	228 (Cr)	See Comprehensive Income and Expenditure Account above.
Increase / (Decrease) in General Fund Balance for the Year	(6,350)	(6,122)	228 (Dr)	Net effect of above
Balance on General Fund Carried Forward	(52,417)	(52,189)	228 (Dr)	Net effect of above
<b>Balance Sheet (Pages 52-53 of audited accounts)</b>				
Short Term Debtors	18,106	18,141	35 (Cr)	Correction of Debtors Balances
Short-term Borrowing	(18,303)	(18,571)	268 (Dr)	Correction of Loan Interest Accrual and a movement between Short and Long Term Borrowing
Long-term Borrowing	(141,519)	(141,514)	5 (Cr)	Movement between Short and Long Term Borrowing
Total assets less liability	203,319	203,091	228 (Dr)	Net effect of above
General Fund Balance	52,417	52,189	228 (Dr)	Net effect of above
Total assets less liability	203,319	203,091	228 (Dr)	Net effect of above



# Argyll and Bute Council

2015/16 Annual audit report to Members and the Controller of Audit

## Key contacts

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies ([www.audit-scotland.gov.uk/about/ac/](http://www.audit-scotland.gov.uk/about/ac/)). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General ([www.audit-scotland.gov.uk/about-us/audit-scotland](http://www.audit-scotland.gov.uk/about-us/audit-scotland)).

The Accounts Commission has appointed **Fiona Mitchell-Knight** as the external auditor of **Argyll and Bute Council** for the period 2011/12 to 2015/16.

This report has been prepared for the use of **Argyll and Bute Council** and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

## Contents

Key messages .....	3
Introduction .....	5
Audit of the 2015/16 financial statements.....	6
Financial management and sustainability .....	12
Governance and transparency .....	20
Best Value.....	29
Appendix I: Significant audit risks .....	38
Appendix II: Summary of local audit reports 2015/16 .....	44
Appendix III: Summary of Audit Scotland national reports 2015/16 ...	45
Appendix IV: Action plan .....	46

# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- Unqualified auditor's reports on the nine charitable trusts administered by the council.

## Financial management and sustainability

- Financial management has been effective in 2015/16. The council reported an underspend against budget of £1.612 million. Total usable reserves have increased by £6.637 million to £57.115 million.
- Revised financial forecasts estimate required savings of between £16.9 million and £33.9 million over the three year period 2017/18 to 2019/20. Members have not yet agreed a budget strategy to balance the budget.
- The council has created an Asset Management and Investment Fund and is proposing to create a charitable leisure trust. But further action is required to deal with its financial challenges going forward.

## Governance and transparency

- Governance arrangements are generally sound but some improvements are in progress relating to asset management.
- Key financial controls operated effectively during 2015/16.
- The council could operate in a more open and transparent way to strengthen relationships with its communities.
- Maintaining assets to deliver services in the future is a challenge due to budget reductions.
- The council has an effective internal audit function and sound anti-fraud arrangements.



### Best Value

- There is still work to be done by the council to make the improvements agreed by members in response to the Accounts Commission findings in the December 2015 Best Value Audit report.
- The number of outcome indicators monitored, together with the range of corporate and service specific strategies and plans, cloud visibility and clarity around performance management.
- Consultation with the communities takes place but greater clarity is required on how the results are reflected in the council's decisions.
- A short life working group has been established which will consider how Area Committees work with the communities.
- Progress in implementing the agreed People Strategy requires to be monitored to ensure an effective performance management framework.



### Outlook

- The financial challenges facing the council are significant with a potential 3 year budget gap of £33.9 million over the period 2017/18 to 2019/20.
- The council has set up a Transformation Working Group to challenge the way it delivers services to respond to these pressures. Reliance on small-scale savings and workforce reductions will not be sufficient.
- The council's updated best value improvement plan, due to be discussed by members at the Council meeting on 29 September 2016, will be critical to paving the way for the future.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Argyll and Bute Council. The report is divided into sections which reflect our public sector audit model.
2. 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.
3. Our responsibility, as the external auditor of Argyll and Bute Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". 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 executive officers group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. 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.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of Argyll and Bute Council will be Audit Scotland. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

# Audit of the 2015/16 financial statements

<p><b>Audit opinion</b></p>	<ul style="list-style-type: none"> <li>We have completed our audit of the council and its group and issued an unqualified independent auditor's report.</li> </ul>
<p><b>Going concern</b></p>	<ul style="list-style-type: none"> <li>The financial statements of the council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council's, its group and associated charitable trusts' ability to continue as a going concern.</li> </ul>
<p><b>Other information</b></p>	<ul style="list-style-type: none"> <li>We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li> </ul>
<p><b>Charitable trusts</b></p>	<ul style="list-style-type: none"> <li>We have completed our audit of the 2015/16 financial statements of the charitable trusts administered by Argyll and Bute Council and issued an unqualified independent auditor's report for each of the relevant trusts.</li> </ul>
<p><b>Group accounts</b></p>	<ul style="list-style-type: none"> <li>Argyll and Bute Council Argyll and Bute Council has accounted for the financial results of three associates in its group accounts for 2015/16. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £7.783 million.</li> </ul>
<p><b>Whole of government accounts</b></p>	<ul style="list-style-type: none"> <li>The council submitted a consolidation pack for audit by the deadline. This is currently being reviewed and the certified return will be submitted to the Scottish Government.</li> </ul>

## Submission of financial statements for audit

We received the unaudited financial statements on 30 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.

10. In 2015/16, for the first time, local government group accounts are required to include the financial results of Integration Joint Boards (IJBs) in their area, where material. The Argyll and Bute IJB was established on 27 June but did not become operational until 1 April 2016. Consequently, as the amounts concerned in 2015/16 are not material, they have not been consolidated into the group accounts.

## Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 17 March 2016.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

13. The concept of audit risk is of central importance to our audit approach. 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 and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.
14. Our audit involved 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.

## Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial



statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

17. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Argyll and Bute Council we set our planning materiality for 2015/16 at £3.110 million (1% of gross expenditure). Performance materiality was calculated at £1.866 million, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
18. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels. Materiality was revised to £3.354 million (1% of gross expenditure) and performance materiality revised to £2.012 million.

## Evaluation of misstatements

19. All misstatements identified during the audit, which exceeded our clearly trivial threshold of £30,000, have either been amended in the financial statements or recorded as an unadjusted error.
20. A number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements in most instances. The effect of the monetary adjustments is to increase net assets on the balance sheet by £0.228 million.

21. Unadjusted errors, if corrected, in the financial statements would have the cumulative effect of reducing the council's net assets by £0.037 million. The net impact on the council's funding position would also be a reduction of £0.037 million

## Significant findings from the audit

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
23. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

**Table 1: Significant findings from the audit**

**Significant findings from the audit in accordance with ISA260**

**International Accounting Standard (IAS) 19 pension liability**

The pension liability represents the difference between the expected future payments to be made to former employees of the council and their spouse in the form of pension payments and the underlying value of pension fund assets to meet this cost. The calculation of the liability is assessed by professional actuaries each year and is an estimated figure. There has been a £50.297 million reduction in the net pension liability from £144.738 million at 31 March 2015 to £94.441 million at 31 March 2016. This is largely due to an increase in the net discount rate over the period. An increase in the net discount rate decreases the assessed value of liabilities as a lower value is placed on benefits paid in the future. The next triennial valuation will take place in 2017 with new contribution rates in place from 1st April 2018. It is expected that new contribution rates will increase convergence between the pension liability and the underlying assets.

**Resolution:** Assurance is obtained from the triennial valuations of the pension fund carried out by Hymans Robertson LLP, which provides assurance that the pension fund remains adequately funded. The financial statements have been prepared on the basis of these assumptions.

**Equal Pay**

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. The council settled a number of equal pay claims during 2015-16. However, there are a small number remaining where the outcome is 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. Based on advice from the legal section, the year end provision for equal pay claims is £0.077 million.

**Resolution:** The equal pay provision will be reviewed on an annual basis.

## Significant findings from the audit in accordance with ISA260

### Heritage Assets

Heritage Assets include two art collections valued in total at £1.135 million. The council's museum and libraries art collection (£0.433 million) was revalued in April 2015. The Argyll Collection (£0.702 million) was revalued in May 2016. The council also owns museum exhibits (insured for £0.520 million) which are not included within Heritage Assets as no detailed inventory exists. Last year the council agreed to consider cataloguing the assets at the Campbeltown museum and the Argyll collection during 2015/16. However, this exercise has not yet been completed.

**Resolution:** The service is progressing with production of the inventory and has commissioned an expert from the Kilmartin House Museum to carry out this work.

### Annual Governance Statement

Our audit work identified a number of prominent governance issues that were either not included in the 2015/16 statement or required further detail, including arrangements for valuation of Highways Network Asset and health and social care integration progress.

**Resolution:** A revised Annual Governance Statement has now been prepared incorporating all suggested amendments.

## Future accounting and auditing developments

### Health and social care integration

24. The council will need to include the IJB activities in its 2016/17 group accounts. Assurance arrangements relating to the annual governance statement need to be established.

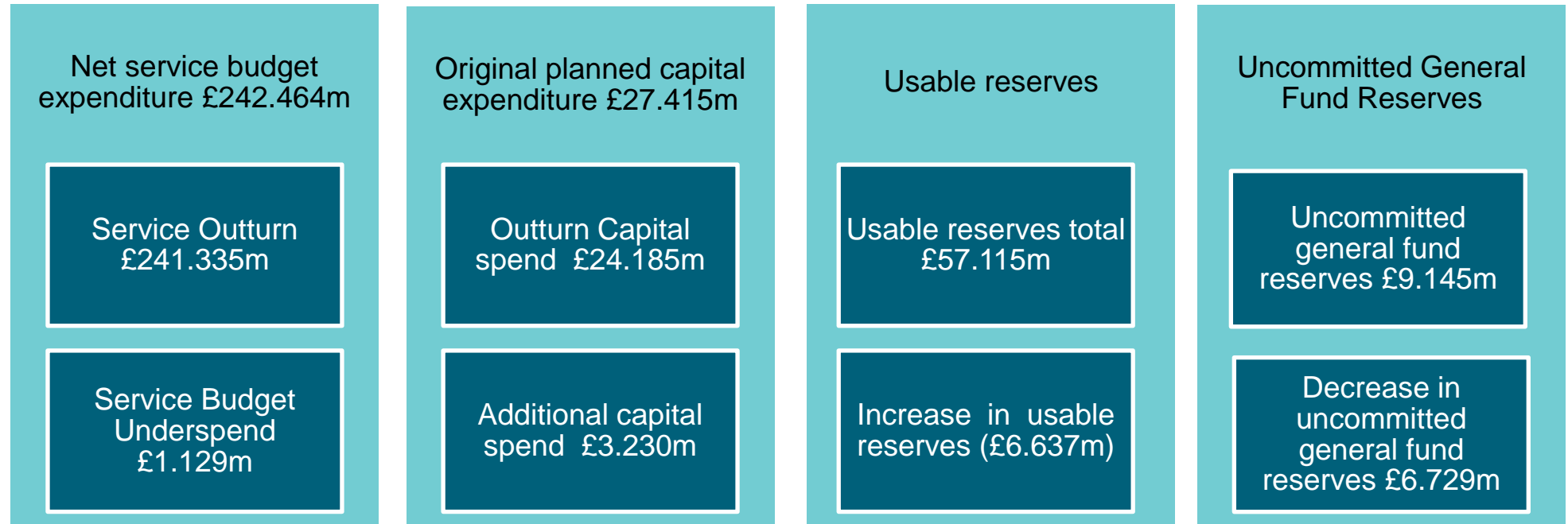
### Highways network assets

25. The 2016/17 local government accounting Code will adopt a new measurement requirement for the valuation of the highways network asset. This will have a significant impact on the value of local authority balance sheets.
26. The council's Development and Infrastructure Asset Management Plan (approved February 2016) estimates the value of highways at £2,191 million. This is approximately four times greater than the total of all the council's current property, plant and equipment assets.
27. The council is using the Society of Chief Officers of Transportation in Scotland (SCOTS) model to record and value assets. Staff attend all relevant working groups and workshops and there is participation in family groups. There is close working between Strategic Finance and Roads Department staff. Compilation for major assets e.g. carriageways and structures is largely complete and the Roads department is working to capture the remaining, and more peripheral, data e.g. footways, street lighting and street furniture (signs, bollards, barriers etc).

### Code of Audit Practice

28. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Financial sustainability
  - Financial management
  - Governance and transparency; and
  - Value for money
29. In addition, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial management and sustainability



## Financial management

30. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.

## Financial outcomes

31. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

32. The outturn of the general services budget was broadly in line with the budget. Overall the council reported an underspend against budget of £1.612 million. There was a net overspend of £0.074 million in relation to departmental expenditure and a net underspend of £1.203 million in relation to other central/non-departmental costs. The remainder of the underspend of £0.483 million relates to funding and the over-recovery of Council Tax income.

### Financial management arrangements

33. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the proper officer has sufficient status within the council to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the council
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

34. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in

Local Government" and concluded that the council complies with the statement's five principles.

35. We reviewed the council's financial regulations, which are revised periodically, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.
36. Financial monitoring reports (both revenue and capital) are submitted to the Policy and Resources Committee (PRC) bi-monthly. They are included within a comprehensive financial reports monitoring pack. The revenue budget monitoring report provides corporate and departmental information with comparisons on a forecast outturn and year to date basis.
37. Financial reporting in respect of Integration Services has been introduced. Information is submitted to the IJB by the IJB's Chief Financial Officer who will also keep the Council up to date on the financial position. The Scheme of Integration requires (paragraph 8.2.17) that "Any potential deviation from the planned outturn should be reported to Argyll and Bute Integration Joint Board, the Council and NHS Highland at the earliest opportunity".

### Conclusion on financial management

38. The council's financial management arrangements for 2015/16 have been effective. The council managed expenditure within its annual budget in 2015/16 and as at 30 June 2016, the council has forecast that the 2016/17 year-end outturn will also be in line with budget.

## Financial sustainability

39. Financial sustainability means that the council has the capacity to meet the current and future needs of its communities. In assessing financial sustainability we are concerned with whether:
- there is an adequate level of reserves
  - spending is being balanced with income in the short term
  - long term financial pressures are understood and planned for
  - investment in services and assets is effective.
40. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability. Our conclusions on the council’s asset management are reported at paras 80 to 85 and on workforce planning at paras 176 to 180.
41. In the December 2015 Best Value Audit report, the Accounts Commission said that the council’s approach to the scale of financial challenge it faces is not sustainable. We looked for evidence of the council making changes to demonstrate a more robust response to its longer term financial challenges

### Reserves

42. The overall level of usable reserves held by the council at 31 March 2016 increased by £6.637 million compared to the previous year and totalled £57.115 million (refer Exhibit 1). The General Fund balance includes £9.145 million of unallocated general fund reserves, a decrease compared to the previous year of £6.729 million. Planned commitments from the general fund balance

amount to £43.272 million. The most significant elements of this balance relate to the Strategic Housing Fund (£6.581million), Investment in Affordable Housing (£5.000 million), Helensburgh Waterfront (£5.579 million), Argyll Lomond and the Islands Regeneration Initiative (£4.500 million) and an allowance for future severance costs (£3.500 million).

### Exhibit 1: Usable reserves

Description	31 March 2015 £ million	31 March 2016 £ million
General fund	46.067	52.417
Repair and renewal fund	0.669	0.671
Capital funds	3.742	4.027
Total usable reserves	50.478	57.115

Source: Argyll and Bute Council 2015/16 financial statements

43. The general fund reserve has no restrictions on its use. The principal purpose of holding a general fund reserve is to provide a contingency fund to meet unexpected events and as a working balance to help cushion the impact of uneven cash flows.
44. The council has agreed to hold a contingency balance equivalent to 2% of the council budget for 2016/17. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. The unallocated general fund balance after the 2% contingency amounts

to £4.402 million, which is available to be directed towards the delivery of the Single Outcome Agreement (SOA), as previously agreed by the PRC in August 2014.

### Capital programme 2015/16

45. The council approved its capital programme for 2015/16 in February 2015. Actual spend on the capital programme amounted to £24.185 million compared to a capital budget of £27.415 million giving rise to an underspend for the year of £3.230 million.
46. The underspend is as a result of net slippage of projects between financial years, with a significant element being in respect of the replacement of Campbeltown Grammar School, Dunoon Primary School, Kirn Primary School and Oban High School. The council's view is that the capacity of the private sector to deliver the scale and scope of these projects is a contributory factor to the slippage.
47. There is also a forecast underspend in 2016/17 of £4.555 million, again as a result of slippage between years which is offset by a planned overspend of £1.5 million in relation to Roads Reconstruction.
48. In financial terms, slippage in the capital programme can generate one-off revenue savings as a result of lower borrowing. It does however carry a longer term risk of increased revenue cost should the cost of borrowing increase. There is also a risk that delivery of services is impacted.
49. The council has well established financial reporting in relation to the capital programme and regular capital monitoring packs are

reported to the PRC as part of the Financial Report Monitoring Pack. Our review of asset management (see paragraphs 80 to 85) recommended that member scrutiny would be enhanced by including details of project risks and overall capital programme risks, together with cumulative spending for significant capital projects, and start/finish dates.

### Financial planning for the future

50. In our 2014/15 Annual Report we reported that the budget gap was estimated to be between £21.7 million and £26.0 million over the period 2016/17 to 2020/21, requiring savings of between £7.9 million and £8.8 million in 2016/17 and between £7.9 million and £9.6 million in 2017/18.
51. In December 2014, the Council agreed a strategy, entitled 'Planning our Future' for addressing both the financial challenges and the challenges within the Single Outcome Agreement. Service Choices, was one element of the strategy which outlines the plans for the estimated funding reductions by aligning the available budget to members priorities.
52. In April 2015, the Council established a cross-party project board to lead the Service Choices process. In October 2015, based on the project board's work, the Council agreed to ask people to give their views on over 140 savings options, on the approach and objectives of making savings, and on ideas for transforming the work of the Council.



53. At the Council's budget meeting on 11 February 2016, Members were asked to make a decision on all Service Choices policy options that were subject to public consultation irrespective of whether the saving was due to be delivered in 2016/17, 2017/18 or beyond. For 2016/17, savings options of £5.186 million were agreed some of which were transformational in nature, together with further operational and management savings of £2.718 million. The largest (by value) options agreed, include:
- creation of a Charitable Trust to operate all council owned leisure and library services including community halls, saving £0.7m annually from 2017/18
  - move to 3-weekly collection for general waste saving £0.548m annually from 2017/18
  - removal of all secondary school librarian posts, saving £0.319m annually from 2017/18
  - removal of school crossing patrollers, saving £0.2m annually from 2017/18
  - combine Improvement and Organisational Development, and Human Resources teams to create a single service, saving £0.911m annually from 2017/18
  - reduce Area Committee/governance functions saving £0.301m annually from 2017/18.
54. In addition the 2016/17 budget includes £2 million of earmarked reserves to be set aside for an Asset Management and Investment Fund (covering 2016/17 and 2017/18). The Fund will be used to seek investment opportunities, based on business cases, which will

generate income that can be used to support frontline services. Officers are currently scoping out the work required for the Fund but it may take 1-2 years before any investment would deliver a return.

55. The 2016/17 approved budget identified planned savings of £10.055 million, with a planned increase in reserves after meeting service costs of £3,000.
56. An updated budgetary outlook report was presented to the PRC in August 2016. The budgetary outlook looking forward was presented as two scenarios; best and worst case. The report estimates that the funding gap over the three year period 2017/18 to 2019/20 is between £16.9 million and £33.9 million with a gap of between £3.4 million and £10.5 million in 2017/18. Whilst members have not yet agreed a budget strategy to balance the budget over this longer term, the Council have a good track record on delivering savings.

**Recommendation 1**

57. The budgetary outlook report also records that of the 125 service choices savings options agreed by the Council, 35 have already been delivered, 59 are on track to be delivered, 14 have still to be implemented related to their planned implementation date, 14 have still to be developed and 3 are delayed. The three options delayed are creation of a charitable trust, removal of school crossing patrollers, and the move to 3-weekly general waste collection. The reason for delay in creation of the charitable trust is recorded as the initial timeframe was not feasible, resulting in a delay of around 6 months.

58. A Transformation Group has been established to oversee the implementation of the proposals received via comments on Savings Options and also consider the innovation suggestions that were received as part of the consultation exercise. In addition the Group will be exploring shared services and other alternative service delivery models. Officers have engaged in a number of shared services discussions but they feel that there are implications for Argyll and Bute in terms of fragile community economies.
59. The Head of Strategic Finance has confirmed that it is too early at this stage to quantify the levels of savings achievable without detailed business plans being developed and that whilst there have been good suggestions for innovation, some are not likely to deliver big savings. Progress is to be reported throughout the year and the budgetary outlook updated once any potential savings become clearer.
- future budget proposals by Members should include a clear breakdown of how a balanced budget is made up
  - the process for minuting officer advice and council decisions on significant items such as setting the budget should be reviewed to ensure minutes are comprehensive and transparent.
61. Our report was discussed at the June 2016 Audit committee. The Committee agreed the recommendations contained within the report having received a clear management response that the three elements will be acted on with regard given to timescales and deadlines.

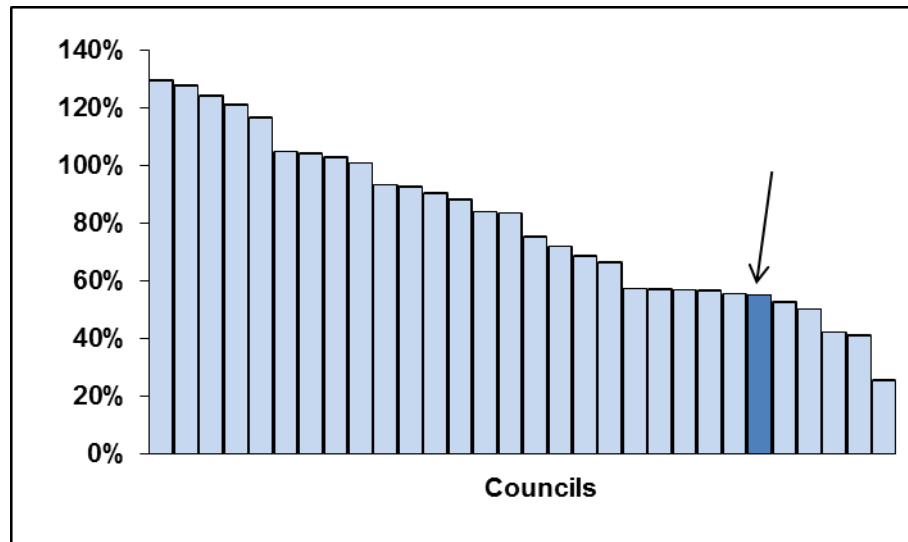
### Treasury Management

62. At 31 March 2016 external borrowing stood at £158.1 million, a decrease of £15.3 million on the 2015 borrowing level of £173.4 million. This is in line with the council's Treasury Management Strategy for 2015/16, which is to minimise the cost of borrowing and keep to a minimum the council's cash balances. Interest payable and similar charges fell by £0.8 million in 2015/16 to £17.3 million. Exhibit 2 shows long term borrowing as at 31 March 2016 for the council as a proportion of the actual outturn for the year for all mainland councils in Scotland. Argyll and Bute Council's borrowing levels remain on the lower side of the median compared with other Scottish councils.

### Budget setting process for 2016/17

60. The budget setting process for 2016-17 was particularly challenging for councils due to the late settlement and issuing of guidance. The settlement was also worse than most authorities had anticipated. We reviewed aspects of the council's 2016/17 budget setting process and made some recommendations which are in line with our expectations for all councils:
- to facilitate more transparent scrutiny of budgets, members should consider circulating proposals for significant changes to the Budgeting Pack in advance of the Council meeting, ideally with agenda papers

**Exhibit 2: Scottish councils' long term borrowing as a percentage of net revenue streams**



Source: Scottish councils' unaudited accounts 2015/16 (excluding Orkney and Shetland Island councils)

**Pension liability**

63. The net assets on the council's balance sheet have increased by £42.362 million, from £160.957 million in 2014/15 to £203.319 million in 2015/16. The principal reason for this increase is the £50.297 million decrease in the pension liability from £144.738 million to £94.441 million. This is also reflected in the balance sheet for the group.

- 64. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost. The decrease is mainly due to an increase in the net discount rate. An increase in the net discount rate decreases the assessed value of liabilities as a lower value is placed on benefits paid in the future.
- 65. At the last triennial valuation in 2014, the Strathclyde Pension Fund was 94.3% funded and had assets of £13.949 billion. The next valuation will take place in 2017 with new contribution rates in place from 1 April 2018. It is expected that new contribution rates will increase convergence between the pension liability and the underlying assets.

**Conclusion on financial sustainability**

- 66. We have concluded that the council has an adequate level of reserves at the year end. However, the council, in common with many other councils, faces significant financial challenges over the coming years. Further work is required to address these challenges.
- 67. With the exception of creating an Asset Management and Investment Fund and proposals to create a charitable leisure trust (both of which are now unlikely to have significant impact before 2018/19), transformational savings undertaken or proposed generally relate to internal management actions. There is limited evidence to date of the council taking a new approach to dealing with its financial challenges to provide more sustainable services going forward. Medium and long term financial plans should be

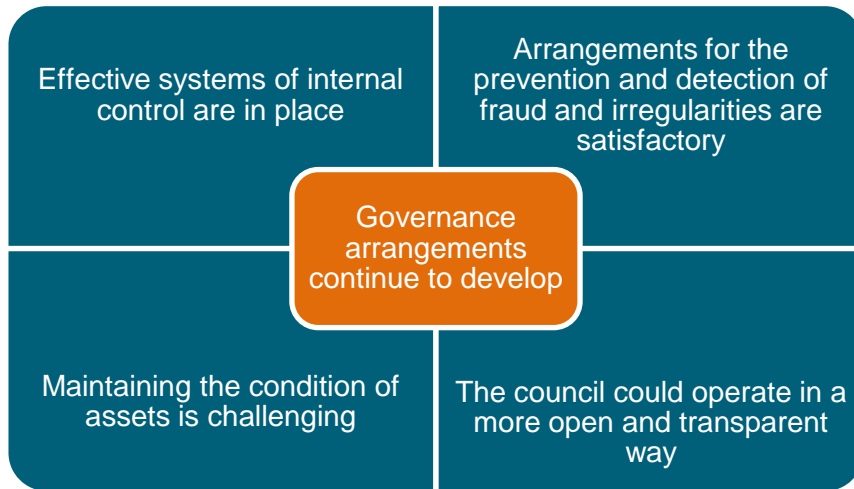
developed as a priority despite the uncertainty over future funding and income and this is an area of work that we are pleased to hear has been included within the Chief Executive's priorities for 2016/17.

### **Recommendation 2**

## **Outlook**

68. There is no doubt that all councils face tough decisions in order to balance the budget going forward. Uncertain single year financial settlements, ring fenced conditions and the relatively late confirmation of awards add to the challenges. Decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances. Further cost pressures such as pay progression and the adoption of the living wage together with the scale of the financial challenge means the council is likely to make further workforce changes. However, without significant service reform it is unlikely this will deliver the savings needed.

# Governance and transparency



- 69. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. A new Chief Executive has been in post since May 2016. He has overall responsibility for the council's governance.
- 70. Citizens should be able to hold the council to account about the services it provides. Transparency means that citizens have access

to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources.

- 71. The effectiveness of governance arrangements and a need for more transparency were key features of the Best Value Audit 2015. These are discussed in this section of this report.

## Local code of corporate governance

- 72. The Council has adopted a local code of corporate governance based on six core principles. It is reviewed and updated annually by the council's Governance Group, chaired by the Executive Director of Customer Services as Monitoring Officer. A Corporate Governance Action Plan is also agreed for the year ahead which identifies work to be carried out to improve governance arrangements.

## Transparency

- 73. Council meetings are held in public and committee reports are generally available as public documents. Performance reports are available on the Council's website. Financial reporting at the council is seen to be open and sufficiently detailed. Annual financial statements, alongside regular financial monitoring reports, are available as public documents, and are open to scrutiny from members.
- 74. The 2015 Best Value Audit report highlighted that the council considers a relatively high proportion of its business in private and

that by operating more openly it will help build greater trust with its communities.

75. The Head of Governance and Law presented a report to the Council in September 2015 which reviewed the submission of confidential reports at Council and its committees. Overall, 13.8% of reports put to the Council or Committees over the Committee Cycle from August 2014 to June 2015 were considered with the public excluded. However the percentage is much higher for Area Committees at 22.6%.
76. The Head of Governance and Law recorded that there was a reasoned justification for each instance of the use of exempt paragraphs and that the majority of cases were to support tendering processes, to protect financial affairs of third parties or in respect of the contemplation of planning enforcement action. He considers that in relation to the business being considered by Area Committees, the CHORD projects are still being progressed and accordingly, there is higher instance of exempt papers being considered.
77. We accept that some issues need to be discussed by the council in private but it remains our view that the council would strengthen its relationships with its communities and taxpayers by reporting more information about the budget setting process (see paras 61 to 62), and wider issues in public. Officers have confirmed that the SMT now routinely monitor private items and a further report is due to be presented to the Council in September 2016.

## Internal control

78. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.
79. We reported our findings to the Audit Committee in June 2016. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Our findings included a number of recommendations to enhance the control system in operation and an action plan has been agreed with management to address these.

## Asset Management

80. In April 2015, we invited the council to complete a Best Value toolkit to assess its own asset management processes. We reviewed the information provided by the council regarding its asset management processes. We also discussed the processes with officers and areas where there could be further improvements, as detailed in our 2014/15 Annual Audit Report.
81. Correspondence received by Audit Scotland in relation to asset management at the council was considered as part of our work. In January 2016, the Accounts Commission report '*Major Capital investment in councils: follow up*' was issued and the report's recommendations were considered. We also reviewed the action

plan the council prepared in response to the original 'Major Capital Investment in councils' report published in 2013.

82. CIPFA recently completed a 'Review of Estates Services within Argyll and Bute Council'. This report was finalised in early 2016 and is now being considered by the council's management team. In our 2014/15 Annual Audit Report, we said that we would consider the council's response to the CIPFA review and report on further improvements for the council's asset management processes.
83. The council has assessed that current practices in relation to its own asset management processes are generally effective. Whilst we concur that the council's asset management arrangements are generally sound and improving, our review has identified a number of areas where further improvement can be made. These include:
- the council has improved its focus on the future asset needs of the council. This would be enhanced through development of a long term capital investment strategy
  - the council should continue to improve its openness and communication in relation to surplus assets and disposals of properties
  - member scrutiny would be enhanced through providing more detailed information on capital receipts, cumulative spending on significant capital projects and project risks (this has been agreed by the PRS Committee). Post completion reviews would also be enhanced by comparing realised benefits to expected benefits detailed in business cases.

84. Our review also acknowledges that against a backdrop of reduced financial settlements and increased pressures on service delivery, there will be reduced budgets for capital spending. Indeed, funding may be insufficient for maintenance and improvements to protect the condition and sustainability of assets. Areas where this is already having a significant impact are the council's roads and its schools estate. This is confirmed by:

- the annual results from the Scottish Road Condition Survey for 2015 rank Argyll and Bute's Road Condition Indicator (RCI) as the worst in Scotland although the council recorded the highest improvement within the 'rural' family of councils
  - the Community Services Asset Management Plan 2016/17-2017/18 records that as a result of budget reductions; "The condition of assets is beginning to reflect the inspection gradings received by both Education Scotland and the Care Inspectorate, this not only is demoralising for staff, pupils and service users but also has a reputational risk for the Council".
85. Going forward the council will continue to face challenges making the necessary improvements to asset conditions and sustainability due to budget reductions and increased demand pressures.

## Sale of Castle Toward

86. Conditional missives were agreed with the intending purchasers of Castle Toward in October 2015 as various title and other issues had not been resolved. The outstanding matters, in general terms, related to the extent of the Council's title, access rights, possession,



and the guarantees to be provided by the purchasers in relation to payment of the balance purchase price.

87. The total sum offered for the property (£1.510 million) includes £0.310 million payable only after receipt of all necessary and detailed consents for the implementation of the proposed purchasers' master plan.
88. The Executive Director Customer Services has undertaken to provide an update to the Area Committee or Council on sale receipts where there has been a request for this.

## Employability Service

89. The Employability Service team currently delivers on three major Welfare to Work contracts on behalf of two Prime Contractors. These are the Work Programme on behalf of Working Links, Mandatory Work Activity and Community Work Placement on behalf of Learndirect. A special meeting of the Performance Review and Scrutiny (PRS) Committee on 18 March 2016 agreed that a formal scrutiny review of the Employability Service should be undertaken to examine the financial management of the service including governance and reporting arrangements. The report arising from the review was discussed at the May 2016 PRS Committee meeting. It identified a number of material issues, including:
  - Financial management arrangements were deemed weak with minimal basic reporting controls in place.
  - Insufficient profile or importance was given to consistent year on year six figure deficits. Governance and reporting

arrangements were poor with limited reference to issues arising. Any available commentary in relation to any challenges facing the service did not make clear any financial trends and their implications.

- The programme was to be 'cost-neutral' to the Council. However from the outset of the programme in 2011/12 through to 2014/15 expenditure consistently exceeded income. The total deficit for this period was £0.715m.
  - In order to fulfil the commitments of the contract until the end of 2017/18, the PRC agreed at its meeting in October 2015 to approve a request for an additional £0.456m (inclusive of redundancy payments) to be covered by Argyll and Bute's general fund as a one-off obligation.
90. Recommendations arising from the PRS review include that the Council should request officers to review financial monitoring protocols in place for dealing with externally funded initiatives to ensure that services and Strategic Finance have a coordinated and consistent approach. The recommendations were subsequently agreed by the Council at its meeting in June 2016.

## CHORD project

91. As part of the 2015/16 audit, we carried out some follow-up work to monitor progress with the CHORD projects. Our enquiries have established that:



- Planning permission for the North Pier Maritime Visitor Facility in Oban was granted in July 2016 and a Full Business Case is now being written to present for determination in October 2016.
  - Oban Public Realm works are approaching completion and the current projected outturn is within the available budget.
  - The Final Account for the Helensburgh CHORD public realm improvement works has been agreed, resulting in a projected balance of funds remaining of £0.653 million.
  - The Helensburgh project has received positive feedback from local residents, businesses and from visitors to Helensburgh. Officers have said that the project has also won three prestigious awards in 2016. A Post Project Review will be undertaken to measure the economic, social and environmental benefits that have been achieved from the project.
  - The Final Account for the Campbeltown CHORD Transit Berthing Facility has been agreed resulting in a balance of £0.183 million. The Campbeltown projects have also received positive feedback from businesses and local residents.
92. To date, both the Campbeltown and Helensburgh CHORD projects have been completed. At its meeting on 18 August 2016, the PRC agreed to delegate the allocation of any CHORD surplus funds to the Area Committees to be used in accordance with original CHORD objectives.
93. We would concur with the results of the March 2015 Internal Audit review of the whole CHORD project which concluded that better governance arrangements are in place since the area committees

took over governance responsibilities and that improvements have been made in the standard and consistency of reports presented to the area committees

## Argyll and Bute Alcohol and Drug Partnership

94. Argyll and Bute Council undertook a commissioning process for community based addiction recovery services in 2014 on behalf of the Argyll and Bute Alcohol and Drug Partnership (ADP). Due to the profile of this commissioning process in the local community and receipt of correspondence from members of the public and local MSPs, the audit team carried out a review of this process.
95. The findings from our review were reported to the council/ADP in May 2015 and were presented to the Community Planning Partnership Management Committee on 17 June 2015. Our report was also considered by the council's Audit Committee on 19 June 2015 and the PRS Committee on 27 August 2015.
96. Two of the recommendations arising from our review relate specifically to procurement by the council:
- Lead times of contracts should be assessed to ensure that there is sufficient time for handovers to be completed and contract requirements to be fulfilled.
  - The procurement manual and evaluation of tender documents should be updated to include a clause which states that where tender bids are close after being evaluated by the tender panel, further discussions will take place to differentiate the bids. This

should be included for clarifying the position for all involved in the tender process.

97. We have confirmed that both of these actions are complete.

## Scottish submarine museum

98. In our 2013/14 and 2014/15 Annual Audit Reports we have made reference to funding provided by the council to support the opening of a Scottish Submarine Museum in Helensburgh.
99. In February 2014, the council made provision for £140,000 funding to the Scottish Submarine Trust to support the opening of the Museum. Following concerns raised by members, the Council agreed that the funding would be released in three tranches. To date, two funding instalments totalling £100,000 have been paid.
100. 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 in Glasgow in 2014. The museum is now expected to open in March 2017.

## Follow up of Gourock to Kilcreggan ferry service

101. In our 2013/14 Report, we recommended that to improve the processes for collecting council berthing fees for the Gourock to Kilcreggan ferry service, a signed agreement with Clydelink should be agreed. This would enable Strathclyde Partnership for Transport (SPT) to pay monies due directly to the council.

102. However, setting up the agreement has proved more difficult than expected and the council has now advised that SPT are unwilling to enter into such an agreement.
103. Our follow-up enquiries have established that most invoices issued to Clydelink for berthing dues continue to be subject to follow up action through the corporate sundry debtor process. An alternative course of action should be considered by the Council.

### Recommendation 3

## Internal audit

104. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
105. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
106. We placed formal reliance on aspects of the work of internal audit including financial ledger, trade receivables, trade payables, payroll and treasury management. In terms of our wider code responsibilities we took assurances from other work including procurement, performance indicators, performance management

arrangements, risk management arrangements and National Fraud Initiative.

107. We can confirm that the 2015/16 Internal Audit Plan was completed subject to the following exceptions:
- Asset Management - superseded by Audit Scotland Best Value review.
  - Resource Allocation System - removed due to use of system being discontinued April 2016.
  - Piers and Harbours - delayed pending on-going legal activity.
108. None of these areas impacted upon the level of reliance we planned to take from the work of internal audit.

## ICT audit

109. ICT is a key area of control because it underpins all the systems used by the council. As part of our audit planning process we carried out a high level review of the council's ICT arrangements. This included the council's technology strategy, data security and protection and business continuity management.
110. Argyll and Bute Council successfully achieved re-accreditation to allow access to the Public Service Network (PSN) on 12 February 2016. To achieve this, a validated information assurance assessment was carried out against a series of stated conditions to gauge compliance. The council is formally certified as compliant until February 2017. Obligations in participating in the PSN dictate that organisations undertake annual security health checks and

maintain appropriate security policies including acceptable use and lockdown policies. The Code of Connection requirements for accessing the PSN are stringent.

111. A three year ICT Strategy was approved by the council in September 2013. An updated strategy is being prepared for approval during 2016.

## Arrangements for the prevention and detection of fraud

112. We assessed the council's arrangements for the prevention and detection of fraud during the planning stage of our audit. This involved reviewing council documents and discussing existing arrangements with officers. We are not aware of any specific issues that we need to record in this report.

## National Fraud Initiative in Scotland

113. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.

114. The Revenue and Benefits service have undertaken a review of Council Tax discounts which included the NFI matches. In total 317 cases were selected to be reviewed resulting in the removal of 87 discounts with an approximate value of £30K. In addition there are currently 15 cases where further work is being undertaken in respect of Single Person discount fraud which is estimated to have a Council Tax receipt value of approximately £11K.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

115. 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 health and social care

116. 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. The Scottish Government sees health and social care integration as a key element of its 2020 Vision which allows everyone to live longer, healthier lives at home or in a homely setting.

117. The Argyll and Bute Integration Joint Board was established on 27 June 2015 and came into legal effect on 18 August 2015 when it first met. The IJB assumed responsibility for all delegated functions

on 1 April 2016. It is responsible for a budget of around £256 million.

118. The Partnership has responsibility for all health and social care functions relating to adults and children and will oversee the strategic planning and budgeting of these, together with corresponding service delivery for Argyll and Bute's residents.
119. The IJB comprises eight voting members appointed from elected members of the council, and NHS Board members. In addition there are a number of other non-voting appointees, representing other sectors and stakeholder groups.
120. During the period between the establishment of the Argyll and Bute IJB and its 'go live' date of 1 April 2016, the council worked with the health board to develop an integration scheme. The scheme set out the key deliverables that would allow the IJB to meet its statutory obligations by 1 April 2016.
121. A three year Strategic plan for the period 2016/17 – 2018/19 was approved by the IJB on 23 March 2016, following a three month period of formal consultation. It contains a three year strategic planning framework which sets out priorities for the new Partnership and how it will use its resources to integrate and deliver services in pursuit of National and Local Outcomes.
122. A number of work streams, with representatives from the council and the health board, were established to support integration. The work streams included those dealing with planning, governance, finance, workforce, performance management, data sharing and risk

management. With this support the IJB was able to develop its governance arrangements in the period running up to 1 April 2016. These arrangements are subject to refinement as the IJB evolves.

123. We concluded that the council, working with the health board, made good progress in its preparations for integration. However, significant challenges lie ahead for health and social care integration, not least delivering on the Scottish Government's 2020 Vision.

## Local scrutiny plan

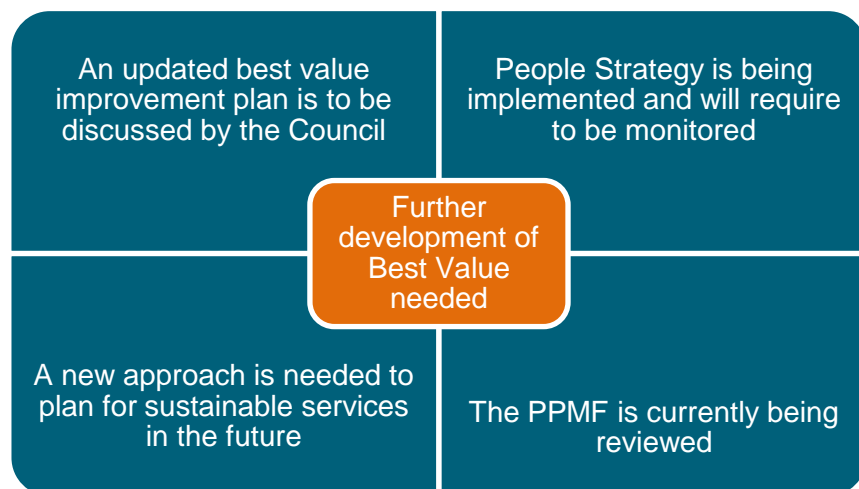
124. The 2016/17 Local Scrutiny Plan, prepared by the Local Area Network (LAN) of scrutiny partners, was submitted to the council in March 2016. This shows risk-based and nationally driven scrutiny activity during 2016/17. The LAN agreed that a specific scrutiny of the education functions of the council will be undertaken by Education Scotland. This will take place soon.

## Outlook

125. Councils will continue to operate in a changing environment within continuing financial constraints. Partnership, joint working and arm's length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Good governance will be particularly important where council resources and service delivery are devolved to third party organisations.

126. Local authorities have a statutory responsibility to comply with the Accounts Commission/COSLA Code of Guidance and funding external bodies and following the public pound. The council is in the process of creating a charitable trust to operate all council owned leisure and library services. It will be crucial that the council implements robust assurance and governance arrangements to deliver best value while at the same time ensuring an appropriate level of accountability for public money.
127. Community planning and health and social care integration will also require an ongoing focus on governance and assurance to ensure that the council's priorities are being achieved.

# Best Value



128. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Best Value audit

129. The most recent Controller of Audit Best Value Report was considered by the Accounts Commission in December 2015.
130. The commission acknowledged and welcomed the progress by the council since 2013 in relation to improved governance, decision

making and scrutiny arrangements and the improving relationships between members and officials. The report commented on the importance of the council continuing to make progress with its current improvement plans and regularly assessing the impact of the improvements it makes. A number of areas highlighted for further improvement were detailed and it was reported that progress would be monitored through the annual audit process. This report details our conclusions on the areas for improvement:

- establishing a more open and **transparent culture** and style of working. This includes appearing less defensive in dealing with conflict and minimising the amount of business it carries out in private. It needs to do this to reduce complaints about a lack of openness and build greater trust with communities. Learning from other organisations that demonstrate the greatest degree of openness will assist with this (see paras 73 to 77)
- continuing to seek a resolution to long-standing and deep-rooted **relationship difficulties** between some members and between the council's leadership and the Argyll and Bute constituency MSP (see paras 134 to 137)
- taking a more innovative approach to dealing with its financial challenges that is in line with its strategic vision and priorities for the area. This includes looking beyond reducing or withdrawing services and more fundamentally examining how it can do things differently (see paras 66 to 67)
- continue to demonstrate clearly how it takes on board **consultation** feedback from its communities, to build a greater level of trust and willingness to work with communities. This



will be important in taking forward Service Choices (see paras 138 to 142)

- strengthening local empowerment and embracing the enthusiasm of **local communities** to be more involved in the work of the council. This includes building on existing area committee and community planning structures and exploring possible opportunities under the Community Empowerment Act to give local people more say in decisions (see paras 143 to 146)
  - exploring all options for providing **training and development** for all members in a way that is most accessible and has greatest impact (see paras 147 to 152).
- 131.** At its meeting on 21 January 2016, the Council;
- welcomed the findings in the Best Value report, particularly in relation to the progress that the Council has made; the improvements in political and managerial leadership, decision making and scrutiny with a consequent reduction in risk
  - welcomed the recommendations to consolidate progress and build on this to ensure a sustainable future particularly at a time of significant financial challenge
  - agreed to accept the recommendations and the development of an improvement plan to take forward the Statutory Report and Accounts Commission findings.
- 132.** Following receipt of the Commission's findings and follow-up report, a member's workshop was held on 11 January 2016. Outputs from this meeting were to inform the development of an improvement plan

to reflect actions outstanding from the council's previous best value improvement plan and actions based on the December 2015 Best Value report. This updated improvement plan is due to be discussed by members at the Council meeting on 29 September 2016. Members and officers will need to monitor the effectiveness of these actions.

#### **Recommendation 4**

- 133.** The following paragraphs provide an update on progress against the areas for improvement identified in the follow-up report not reported elsewhere in this report.

#### **Relationship difficulties**

- 134.** In its findings, the Commission noted the dysfunctional relationships which persist between a number of individuals. The Commission is firmly of the view that the interests of the public are best served by a shared commitment by all parties to maintaining constructive relationships and high standards of conduct.
- 135.** The report highlights that while behaviours have improved significantly in the council since 2013, there are still some problems evident and achieving real and lasting improvement in culture, behaviour and understanding will only occur over time.
- 136.** The Improvement Service is currently undertaking work with members which includes their role in developing the culture of the organization. However we are aware from recent correspondence that differences of opinion continue between some councillors and parliamentarians about how the Council should conduct its business.

We are also aware that The Commissioner for Ethical Standards in Public Life is currently investigating an alleged breach of the Councillors' Code of Conduct against one elected member.

137. We have concluded that the council should continue its efforts to improve relations. The best value improvement plan to be discussed at the Council meeting in September contains actions relating to Standards.

### Consultation

138. As part of the 'Planning Our Future' consultation in October 2015 around 2,500 people responded to the consultation as a whole, almost twice as many as replied to previous budget consultations. Over 3,000 more gave views on individual areas of work via email, letter or petitions.
139. Key findings from the survey were reported to the Council in February 2016 as part of the budget package. These include:
- transforming how the council works was the overall preference as a general approach to making savings, rather than growing council income, reducing or stopping services
  - no single savings option was entirely agreed or disagreed with. All options received a level of support or objection
  - many people put forward ideas for how the Council can transform its work
  - a number of common themes emerged from the many comments made via the on-line survey. The most frequently

occurring were: improving efficiency in the council; reducing management costs; support for schools; and protect jobs.

140. A number of income generating proposals submitted as part of the consultation exercise continue to be considered as part of the council's ongoing transformation work. The Head of Strategic Finance has confirmed that further reports will be brought to members on their progress and contribution to the transformation of the work of the Council.
141. Future consultation will be driven by the council's People Strategy 2016-20, which contains an action to 'develop tools and guidance to support services when consulting and engaging with customers' (paragraph 163).
142. The updated best value improvement plan to be discussed at the Council meeting in September contains an action relating to community engagement

### Local communities

143. The Community Empowerment (Scotland) Act 2015 gives community bodies new rights and the council new duties to boost community empowerment and engagement. The council has set up a working group to consider the Act.
144. The Best Value report highlights that Area committees, particularly through more strategic interaction with the local community planning groups, can play an important role in building better relationships with communities, in improving local empowerment and in delivering local plans and priorities. If they are to do this, the council needs to



develop the committees further. Current developments in this area include:

- one of the savings options agreed in February 2016 as part of the Service Choices process was reductions to the current Area and Central Governance services. This will include no support for partnership/community planning activity; fewer area-based decision making bodies (e.g. by reduced frequency of meetings); fewer central committees and reduced support for elected members. Support will also be provided by a smaller team with more focus on self-service for councillors
- at its meeting in April 2016, the Council agreed to set up a Short Life Working Group (SLWG) for the purpose of considering the future local democratic and governance arrangements of the Council. This will include area committees and examine how they can work better with communities
- prior to June 2016, decisions relating to disposals and leases were progressed through Area Committees, the Policy and Resources Committee or Council. A key recommendation as part of the Council's review of its Constitution in June 2016 was that procedures be revised to delegate all disposals to officers other than those at less than best consideration. However the Council agreed to delegate the Executive Director Customer Services (in consultation with the Leader, Depute Leader and the leader of the largest opposition group of the Council) to agree a suitable amendment to the wording of the key

recommendation taking into account concerns raised by members.

145. These developments will impact directly upon the role of Area Committees. The updated best value improvement plan to be discussed at the Council meeting in September contains actions relating to local empowerment.
146. Our 'Review of Asset Management' report includes a recommendation that as part of its preparations the council should engage with other local authorities, through the Scottish Heads of Property Group and other relevant groups, to support its development of draft policies and procedures in relation to the Community Empowerment Act. In their response, the council have confirmed that the working group will be tasked with reviewing any policies and procedures to ensure they meet the requirements of the Act.

#### **Training and development for members**

147. The follow-up report highlights that; "Councillors will increasingly need support to carry out their role in an increasingly complex environment, for example leading the process of health and social care integration successfully. They will also need support to manage potential conflicts of interest between their role in representing individual local communities, and their role as members of the Integrated Joint Board (IJB)."
148. Our follow-up enquiries have established that the Council continues to run an Elected Member Seminar Programme to support

development. This has a dedicated site on the intranet where members can access all presentations and which supports accessibility to information for members who were unable to attend the actual event. In addition, Twenty-five elected members now have a personal development plan.

149. The council's Head of Governance and Law has confirmed that training associated with the launch of "Casebook" (the new elected members case management system) has been rolled out in such a way as to be as widely accessible to members as possible. There has also been the option to undertake training on a 1-1 basis or to attend a workshop.
150. Where members undertake a specialist role requiring greater in-depth knowledge, arrangements are in place for enhanced training and development opportunities, for example:
- **Harbour Board:** specialist training on Port Marine Safety Code
  - **IJB:** Development Day for Chairs and Vice Chairs of Health and Social Care Partnerships, Programme of Development Days for IJB members covering topics ranging from Clinical and Care Governance to Risk Management.
  - **Planning, Protective Services & Licensing Committee:** programme of development activity in place which is also accessible to members not on the committee and can be attended in person or by VC.
151. We have concluded that the council has taken steps to develop training for members and should continue to explore all options for

providing member training and development based on individual needs.

152. The updated best value improvement plan to be discussed at the Council meeting in September contains an action relating to accessible training and development for elected members.

### Conclusion on the overall progress being made

153. There are a number of parallel processes underway at present which will impact upon the political management arrangements of the Council. This, together with ongoing developments in other key systems and processes means that it is too early to assess the effectiveness of actions and plans being implemented. We have concluded that there is still work to be done by the Council to secure the improvements that were agreed by members in January 2016, in response to the 2015 Best Value Audit report.
154. To focus the council's improvement activity, the new Chief Executive has tasked officers with reviewing and consolidating the council's action plans by March 2017.

### Procurement

155. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. In December 2014 the council achieved an overall PCA score of 72% ("improved performance"), an increase from 63% last year.

- 156.** Following the Procurement Reform (Scotland) Act and the Public Contracts (Scotland) Regulations 2015 a new assessment regime was introduced as part of the new Procurement and Commercial Improvement Programme (PCIP). It came into effect on the 18 April 2016 and has new sections including fraud awareness & prevention and commercial acumen.
- 157.** The council's assessment under this new regime took place in June 2016. The council were assessed as being in the top band (of which there are twelve) with a score of 70.
- 158.** An updated Procurement and Commissioning Strategy covering the period 2015 - 2018 was approved by the PRC in August 2015. The strategy aims to deliver savings and Best Value, improve procurement processes and policies and increase expertise and capacity.

## Performance management

- 159.** The Council's Planning and Performance Management Framework (PPMF) sets out a detailed process for ensuring that the council's resources are targeted towards delivering on the priorities as set out in the Single Outcome Agreement/Local Outcome Implementation Plan and the council's Corporate Plan. The PPMF makes provision for plans to be reviewed and scrutinised via a scorecard.
- 160.** At the core of the PPMF are the council's service plans, which contain outcome based budgeting, align service resources (financial and HR) with service, corporate and national outcomes and are

reviewed via service and departmental scorecards. A total of 312 success measures are monitored.

- 161.** A Corporate Improvement Strategy 2015-17, to support the delivery of the Council's priorities contained within the Corporate Plan 2015-2017, was approved by the PRC in August 2015. It was based on five main categories of improvement activity, underpinned by the development of a business improvement toolkit.
- 162.** The Council's People Strategy 2016-2020 incorporates themes and actions from the Corporate Improvement Strategy, the Employee Engagement Strategy, and the HR and OD strategy.
- 163.** The People Strategy sets out the Council's corporate approach to continuous improvement through the thematic areas of:
- Planning and Performance Management
  - Self Assessment
  - Scrutiny
  - Benchmarking
  - Consultation and Engagement
  - Delivering Change
- 164.** Each of these improvement themes in the People Strategy is accompanied by actions (47 in total) to achieve the council's strategic objectives. These include:
- services will be supported to simplify performance data and improve range and balance of performance information reported

- services are supported to refine scorecards and performance indicators to include richer cultural data.
  - develop tools and guidance to support services when consulting and engaging with customers
  - Improvement Toolkit developed to support services in identifying and implementing improvements.
- 165.** The PPMF sets out that there is alignment from the SOA down through service and team plans to individual employees. However in our view, the number of success measures monitored, together with the range of corporate and service specific strategies and plans, blur visibility and clarity around performance management. The PRS have also recognised this and are currently reviewing the PPMF. This is an area of work that we are pleased to hear has been included within the Chief Executive's priorities for 2016/17.
- 166.** Our enquiries have established that a focus over the next two years for the council will be to develop a programme of self-assessment. The council has also been working with the Improvement Service, using the Local Government Benchmarking framework data to identify areas where the council could share best practice or learning with other councils.
- 167.** The Head of Improvement and Human Resources has advised that the People Strategy was presented to the PRC in August and has confirmed that the People Strategy will go to the Council meeting in September for approval. The Strategy includes a series of SMART actions in the Improvement Action Plan. A timetable should be prepared for both the Policy and Resources Committee and the

PRS Committee to enable progress in implementing the agreed People Strategy to be monitored.

### Recommendation 5

## Overview of performance targets in 2015/16

- 168.** For the financial year 2015-16, a total of 312 success measures were monitored through service scorecards. Analysis of performance at the end of the year showed 203 (65%) were complete or on track against target. Additionally, 67 measures (21%) had no target and 42 measures (14%) were off target.
- 169.** Of the 312 indicators, 61 measures (20%) had no trend (mostly new measures), 90 measures (29%) showed constant performance, 76 measures (24%) showed a positive trend and 85 measures (27%) showed a negative trend.
- 170.** For 2015/16 there has been a 4.6% decrease in the Council actual average days lost per FTE employee decreasing from 10.56 in 2014/15 to 10.07 in 2015/16. In respect of the split between Teachers and LGE staff groups there has been a significant decrease from 8.2 to 6.86 for Teachers and a slight decrease from 11.2 to 11.05 for LGE staff.
- 171.** Stress remains the main cause of sickness absence and initiatives have been put in place to address this. A new Stress at Work Policy has been developed and mandatory Stress Awareness Training has been rolled out across the Council for all managers and staff.

172. Targets for maximising attendance during 2016/17 were agreed by the Council's Strategic Management Team at their meeting on 13 June 2016. They have set an annual target of 9.46 days lost per FTE representing the Council's goal to see 6% reduction in the total work days lost during the period 2016/17.

### Statutory performance indicators (SPIs)

173. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

174. For 2015/16 three (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering 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.

175. We have reviewed the council's arrangements for collecting, recording and publishing data in 2015/16 and concluded that they are adequate.

### Local performance audit work

176. In November 2013 Audit Scotland published a report entitled *Scotland's public sector workforce*. The aim of the report was to assess if public bodies, including councils, are managing their workforces effectively.

177. Audit Scotland asked external auditors, across the public sector, to undertake follow-up audit work on the 2013 report. A standard questionnaire based on the report's findings was issued to external auditors to complete.

178. Our follow-up audit highlighted that:

- overall workforce planning information was taken into account in the preparation of the council's budget strategy. Redundancy costs accounted for in 2015/16 were £1.215 million relating to 75 employees
- the council does not have an organisation-wide workforce plan. However, it does have an overarching Human Resources and Organisational Development Strategy
- during 2015, the council completed a project entitled Job Roles and Training Needs Analysis, to identify all mandatory training required for each post in the organisation.

179. As reported at paragraph 167, the council's People Strategy 2016-2020 was presented to the PRC in August 2016. This Strategy supports the delivery of the council's priorities contained within the Corporate Plan and draws together a number of key actions from

the council's existing HR and OD Strategy, Corporate Improvement Strategy and Employee Engagement Strategy.

180. Overall, we concluded that the council has taken appropriate steps to develop workforce planning arrangements.

## National performance audit reports

181. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the council. These are outlined in [appendix III](#). The council has processes in place to ensure that all national reports and their impact on the council are considered by Members.

## Outlook

182. Whilst progress is acknowledged, there is still work to be done by the Council to secure the improvements that were agreed by members in January 2016, in response to the 2015 Best Value Audit report. In particular, the council faces significant financial challenges over the coming years and the current approach to addressing these challenges is not sufficient. It is also important that the council continues to make progress with its current improvement plans and regularly assesses the impact of the improvements it makes. Argyll and Bute Council's updated best value improvement plan, due to be discussed by members at the Council meeting on 29 September 2016, will be critical to paving the way for the future.

# Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement</b>		
<p><b>Management override of controls</b></p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• detailed testing of journal entries</li> <li>• reviewed accounting estimates for bias</li> <li>• evaluated significant transactions that are outside the normal course of business</li> <li>• focussed testing of the regularity and cut-off assertions during the financial statements audit.</li> </ul>	<ul style="list-style-type: none"> <li>• no unusual or inappropriate transactions were identified as part of detailed testing of journal entries</li> <li>• a review of accounting estimates did not show any instance of bias</li> <li>• no significant transactions outside the normal course of council business were identified</li> <li>• focussed testing of regularity and cut-off assertions showed controls were operating effectively</li> <li>• our conclusion is that there is no management override of controls at the council.</li> </ul>
<p><b>Income</b></p> <p>Argyll and Bute Council receives a significant amount of income in addition to SG funding.</p>	<ul style="list-style-type: none"> <li>• detailed testing of revenue transactions across each service area</li> <li>• testing of significant Grants received.</li> </ul>	<ul style="list-style-type: none"> <li>• controls testing of Accounts Receivable found no weaknesses in council systems.</li> <li>• testing of significant Grants proved satisfactory.</li> </ul>



Audit Risk	Assurance procedure	Results and conclusions
<p>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>• focussed testing of the Council Tax and NDR Income Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• no significant errors were identified through detailed testing of revenue transactions across each service area.</li> <li>• no significant issues were identified through focussed testing of the Council Tax and NDR Income Accounts.</li> <li>• our conclusion is that income streams are not materially misstated.</li> </ul>
<p><b>Provisions</b></p> <p>This is an area of significant estimation based on management judgements. There are potentially areas in 2015/16, such as non- contractual holiday and equal pay claims, where it is not yet possible to give a definitive view on the likely outcome for the council.</p> <p><b>Risk:</b> The ultimate cost to the council is greater than anticipated.</p>	<ul style="list-style-type: none"> <li>• all provisions were reviewed with senior council officers for appropriateness and accuracy based on the information available</li> <li>• monitoring of all technical guidance in this area.</li> </ul>	<ul style="list-style-type: none"> <li>• audit testing confirmed that all required provisions have been calculated appropriately.</li> </ul>



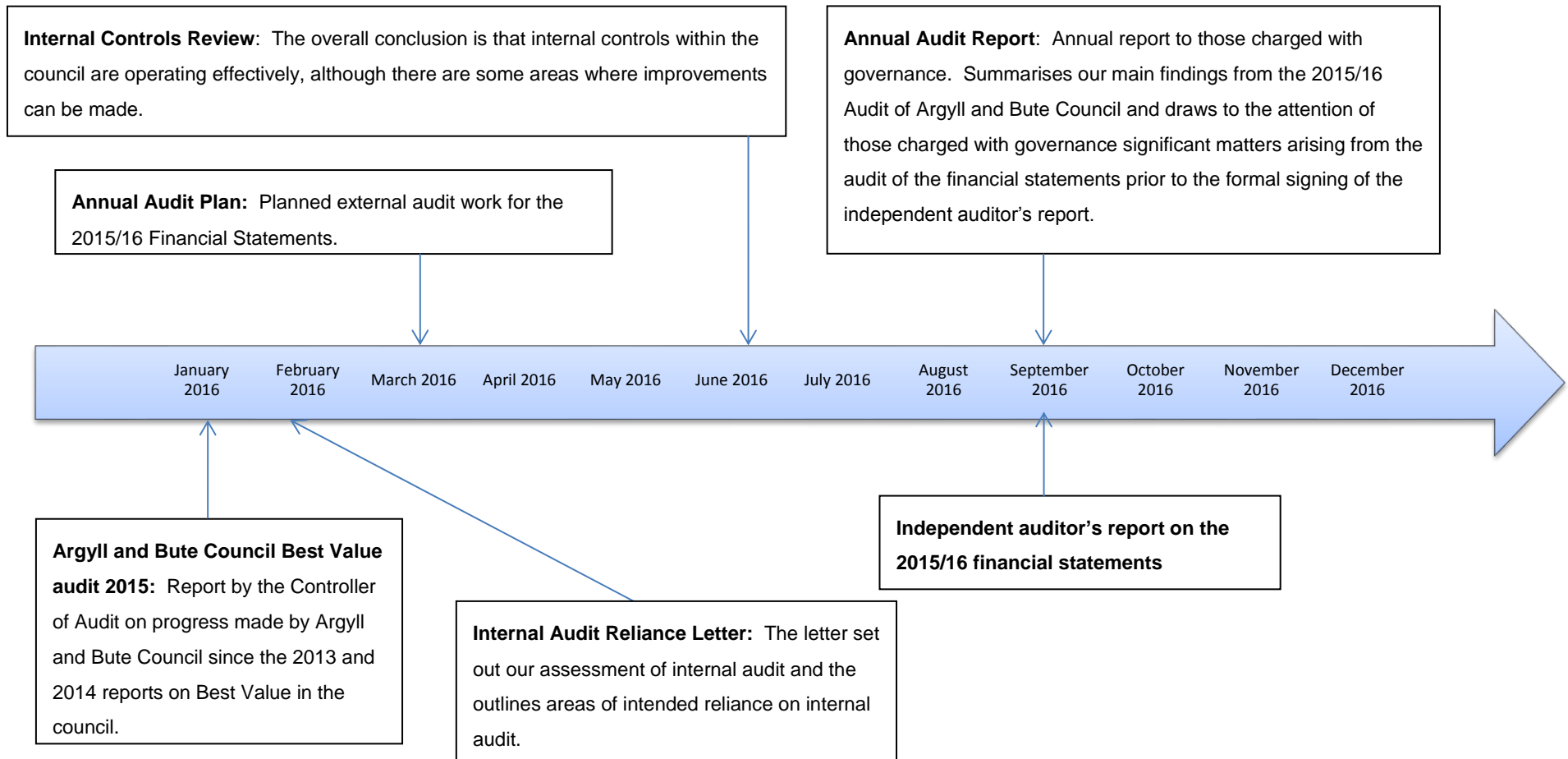
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Heritage assets.</b></p> <p>Heritage Assets include two art collections valued in total at £1.140 million. The Argyll Collection (£0.649 million) was last valued in February 2010, however the other collection, held at various libraries and at the Campbeltown Museum (£0.491 million), was last valued in March 2004.</p> <p><b>Risk:</b> Heritage assets are understated in the financial statements.</p>	<ul style="list-style-type: none"> <li>the council’s revalued museum and libraries art collection will be reflected in the 2015/16 accounts</li> <li>the council is to consider cataloguing the assets of the Campbeltown museum and the Argyll collection during 2015/16.</li> </ul>	<ul style="list-style-type: none"> <li>the art collections have been included in the 2015-16 Accounts at their revalued amounts</li> <li>with regard to the other assets, the service is progressing with producing the inventory and have commissioned an expert from the Kilmartin House Museum to carry out this work.</li> </ul>
<p><b>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</b></p>		
<p><b>Financial Management</b></p> <p>The Council has agreed savings options of around £10 million in 2016/17 to meet the estimated funding gap for this year. Members recognise that achieving these savings will require significant change in the way the council operates.</p> <p><b>Risk:</b> The council is unable to achieve the necessary savings.</p>	<ul style="list-style-type: none"> <li>reviewed council papers and minutes to identify any potential areas of risk</li> <li>monitored revenue and capital budget monitoring reports throughout the year to identify any significant variances between budgeted and actual spend in order to highlight any potential issues.</li> </ul>	<ul style="list-style-type: none"> <li>of the 125 service choices savings options agreed by the Council, 35 have already been delivered, 59 are on track to be delivered, 14 have still to be implemented, 14 have still to be developed and 3 are delayed</li> <li>as at 30 June 2016, the council forecast that the 2016/17 year-end outturn will be in line with budget.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Best Value follow-up</b></p> <p>The Controller of Audit will monitor progress against the findings and improvement areas identified in his December 2015 follow-up report through the annual audit process.</p> <p><b>Risk:</b> The council is unable to demonstrate that action has been taken to address the findings and improvement areas identified.</p>	<ul style="list-style-type: none"> <li>an updated best value improvement plan is due to be discussed at the Council meeting on 29 September 2016.</li> </ul>	<ul style="list-style-type: none"> <li>it is too early to assess the effectiveness of actions and plans being implemented.</li> <li>the council needs to continue to make progress with its current improvement plans and regularly assess the impact of the improvements it makes.</li> </ul>
<p><b>Workforce planning</b></p> <p>Delivering the required savings to meet the estimated future funding gaps will inevitably result in a reduction in the number of employees.</p> <p><b>Risk:</b> Reduced workforce and a loss of intellectual capacity has an adverse impact on service delivery and staff morale.</p>	<ul style="list-style-type: none"> <li>the council's Redundancy Policy seeks to achieve post reductions through voluntary means as far as possible.</li> </ul>	<ul style="list-style-type: none"> <li>overall workforce planning information was taken into account in the preparation of the council's budget strategy and it underpinned the decision to offer voluntary severance as part of the budget management strategy</li> <li>redundancies have been made in accordance with the agreed Service Choices decisions.</li> </ul>
<p><b>CHORD</b></p> <p>Our 2014/15 Report recorded that work on the Oban Bay/Harbour project had not progressed as planned and there is a risk that costs will exceed the budget on completion.</p> <p><b>Risk:</b> There is a risk that costs of the project will exceed the budget for the project.</p>	<ul style="list-style-type: none"> <li>monthly highlight reports are completed by Project Managers covering any issues and remedial action required in terms of timescale, budget, risks etc. and are reported to Development and Infrastructure Services Executive Strategic Project Board.</li> </ul>	<ul style="list-style-type: none"> <li>planning permission for the North Pier Maritime Visitor Facility in Oban was granted in July 2016 and a Full Business Case is now being written to present for determination in October 2016</li> <li>Oban Public Realm works are approaching completion and the current projected outturn is within the available budget.</li> </ul>

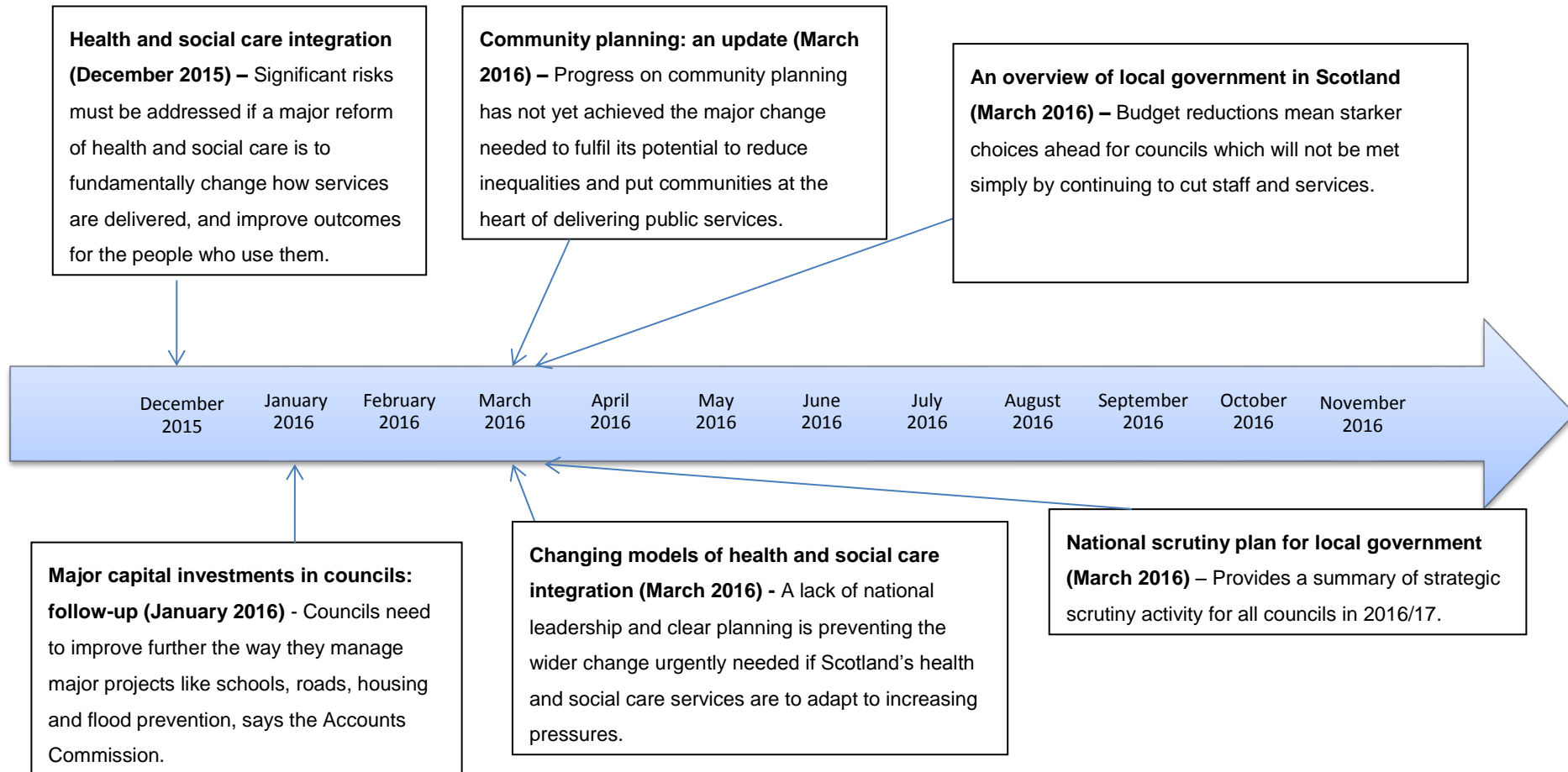
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Argyll and Bute ADP</b></p> <p>Our report into the commissioning process that the council used, on behalf of Argyll and Bute’s ADP, for community-based addiction recovery services contains a number of recommendations to the council and the ADP.</p> <p><b>Risk:</b> The council and the ADP are unable to demonstrate that action has been taken to address the recommendations.</p>	<ul style="list-style-type: none"> <li>the findings from our review have been accepted by the ADP Executive and were presented to the Community Planning Partnership Management Committee on 17 June 2015</li> <li>the report was also considered by the council's Audit Committee on 19 June 2015 and the PRS Committee on 27 August 2015.</li> </ul>	<ul style="list-style-type: none"> <li>we have confirmed that the recommendations arising from the review and relating to the council are complete.</li> </ul>
<p><b>Health and social care integration</b></p> <p>Argyll and Bute Integration Joint Board (IJB) was established on 18 August 2015 although services will not become operational until 1 April 2016.</p> <p><b>Risk:</b> The IJB is not prepared to take on services in line with the statutory timetable.</p>	<ul style="list-style-type: none"> <li>the integration programme is on target in terms of progress towards the establishment of the Argyll and Bute Health and Social Care Partnership by the 1 April 2016.</li> </ul>	<ul style="list-style-type: none"> <li>the IJB became operational on 1 April 2016</li> <li>the 2015-16 Accounts for the IJB have been subject to a separate audit.</li> </ul>
<p><b>Infrastructure Assets</b></p> <p>The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.</p> <p><b>Risk:</b> The council has not prepared the</p>	<ul style="list-style-type: none"> <li>Strategic Finance staff are aware of the new requirements and the required figures are being collated.</li> </ul>	<ul style="list-style-type: none"> <li>discussions with Strategic Finance staff have confirmed that progress is being made to collate all the information required for the accounting change.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
information needed to include the appropriate disclosures in 2015/16 and meet the change in accounting requirement for 2016/17.		

# Appendix II: Summary of Argyll and Bute Council local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	56	<p><b>Financial Planning</b></p> <p>The funding gap over the three year period 2017/18 to 2019/20 is estimated at between £16.9 million and £33.9 million with a gap of between £3.4 million and £10.5 million in 2017/18. Members have not yet agreed a budget strategy to balance the budget over this period.</p> <p><b>Risk</b></p> <p>The council is unable to achieve the necessary savings.</p> <p><b>Recommendation</b></p> <p>The council should ensure that robust plans are produced covering all required savings linked to service delivery proposals.</p>	<p>Robust plans to address the budget gap for 2017-18 will be produced and medium and longer term strategies will also be developed. This would be aided if we were in receipt of more than a single year funding settlement.</p>	<p>Head of Strategic Finance</p> <p>Ongoing</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2.	67	<p><b>Transformational savings</b></p> <p>With the exception of creating an Asset Management and Investment Fund and proposals to create a charitable leisure trust, transformational savings undertaken or proposed generally relate to internal management actions. The council has already made progress in challenging delivery of services but will require to further challenge services in order to deal with its financial challenges and provide more sustainable services going forward</p> <p><b>Risk</b></p> <p>Without significant service reform it is unlikely the current approach will deliver the savings needed.</p> <p><b>Recommendation</b></p> <p>The Council will need to continue to fundamentally challenge the way it delivers services to respond to its financial challenges.</p>	A transformation working group has been created to take transformational issues forward which includes looking at how we can do things differently.	Executive Director of Customer Services (Chair of Transformation Working Group)
				Ongoing



No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3.	103	<p><b>Gourock to Kilcreggan ferry service</b></p> <p>As a result of late payment, most invoices issued to Clydelink for berthing dues continue to be subject to follow up action through the corporate sundry debtor process.</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 continue its efforts to have money deducted from Clydelink at source by SPT in relation to unpaid berthing dues.</p>	<p>The council will continue to work with SPT towards a long term resolution to this issue.</p>	<p>Executive Director of Development and Infrastructure Services/ Timescale will be determined by SPT for the conclusion of these contractual arrangements.</p>
4.	132	<p><b>Best Value Improvement Actions</b></p> <p>In January 2016, the Council agreed to the development of an improvement plan to take forward the Statutory Report and Accounts Commission findings of December 2015.</p> <p><b>Risk</b></p> <p>The Council is unable to assess the effectiveness of actions and plans being implemented.</p> <p><b>Recommendation</b></p> <p>Members and officers will need to monitor the effectiveness of these actions.</p>	<p>An updated best value improvement plan is due to be discussed by members at the Council meeting on 29 September 2016.</p> <p>The Chief Executive has tasked officers with reviewing and consolidating the council's action plans by March 2017.</p>	<p>Chief Executive/Ongoing</p> <p>Chief Executive/March 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
5.	167	<p><b>People Strategy</b></p> <p>The Council's People Strategy is supported by an action plan to be monitored by both the Policy and Resources Committee and the PRS Committee. The action plan contains 47 action points to be implemented in order to achieve the council's strategic objectives.</p> <p><b>Risk</b></p> <p>The Council is unable to assess the effectiveness of actions and plans being implemented.</p> <p><b>Recommendation</b></p> <p>A timetable should be prepared for both the Policy and Resources Committee and the PRS Committee to allow progress in implementing the agreed People Strategy to be monitored.</p>	Head of Improvement and HR to propose timetable for reporting on the SMART actions in the People Strategy to the Policy and Resources Committee and PRS Committee for incorporating in their work plans.	Head of Improvement and HR November 2016

# Charitable Trusts administered by Argyll and Bute Council

## Report to those charged with governance on the 2015/16 audit



Prepared for the members of Argyll and Bute Council  
September 2016

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

# Contents

<b>Introduction .....</b>	<b>4</b>
Status of the audit .....	4
Matters to be reported to those charged with governance .....	4
Accounting and internal control systems.....	6
Significant findings from the audit .....	6
Acknowledgements.....	7
<b>Appendix A: Proposed Independent Auditor’s Report .....</b>	<b>8</b>
Local authority registered charities (Receipts and payments accounts) .....	8
<b>Appendix B: Proposed Independent Auditor’s Report .....</b>	<b>10</b>
Local authority registered charities (Fully accrued accounts).....	10
<b>Appendix C: Registered Trusts where Argyll and Bute Council is the sole trustee.....</b>	<b>12</b>
<b>Appendix D: ISA 580 - Letter of Representation .....</b>	<b>13</b>

# Introduction

1. Since 2013/14 an audit is required for the financial statements of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of Argyll and Bute Council, David Jamieson, Audit Scotland, has been appointed as the auditor of the relevant trusts for the year ended 31 March 2016.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The trustees of the Argyll and Bute trusts will receive a copy of this report at the Audit Committee meeting on 23 September; a Trustee will sign the financial statements on behalf of the other Trustees.
3. This report sets out for the trustees' consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements that are prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Argyll and Bute Council, as the sole trustees of the registered charitable trusts listed at [Appendix C](#), and no responsibility to any third party is accepted.

## Status of the audit

4. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with the Head of Strategic Finance at a meeting on 7 September 2016.
5. We received the unaudited financial statements by 30 June 2016, in accordance with the agreed timetable. The working papers in support of the financial statements were of an adequate standard. Finance staff provided good support to the audit team and we completed our on-site fieldwork on 19 August 2016.

## Matters to be reported to those charged with governance

### Conduct and scope of the audit

6. In 2015/16 we have been asked by the council to audit the financial statements for nine trusts, where the sole trustee is Argyll and Bute Council; these trusts are set out in [Appendix C](#).

7. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of Argyll and Bute Council presented to the Audit Committee on 11 March 2016, and follows the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
8. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was disclosed in the council's Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Fraud

9. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the trustees we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

## Audit opinion & representations

10. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 30 September 2016 (the proposed report for each of the registered charitable trusts is attached at [Appendix A](#) and [Appendix B](#)). There are no anticipated modifications to the audit report.
11. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £10. There were none identified as part of our audit work.
12. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.
13. The council has decided not to recharge any administration or audit costs to the trusts in 2015/16. This policy is disclosed in the Notes to the Accounts for all Trusts. As a result the costs incurred in administering the trusts are not known by the trustees.
14. As part of the completion of our audit we seek written assurances from the council's Accountable Officer on behalf of the trustees, on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix D](#). This should be signed and returned by the Head of Strategic Finance with the signed financial statements prior to the independent auditor's opinion being certified.

## Accounting and internal control systems

15. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Significant findings from the audit

16. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
17. In particular, we would draw your attention to the paragraph below regarding the absence of expenditure incurred by a number of the trusts. The trustees should establish whether these are active funds, or whether they should enter into discussions with the Office of the Scottish Charity Regulator (OSCR) to reorganise or wind up these trusts. There is a risk that the trustees are not fulfilling the terms of the trust deeds.
18. **Baillie Gillies Bequest; Kidston Park Trust; Marquess of Bute Silver Wedding Dowry; Miss Annie Dickson Burgh Bequest; Logie Baird Prize Fund; Norman Stewart Institute Trust; McCaig Trust:** There has been little or no expenditure incurred by these trusts in the last few years. As the majority of the trusts are dormant, there may be a perception that these trusts are not being run for the public benefit. Trustees should consider whether the trusts are meeting their objectives and whether or not they should be wound up.

**Resolution:** Argyll and Bute Council are continuing to conduct a review of all its charitable trusts.

19. **Kidston Park Trust:** There are no trust deeds or governing documents available for this trust. The financial statements disclose that a bequest of £1,000 by William Kidston was made towards the upkeep of Kidston Park in April 1889. This is noted in the minutes of a meeting of the Town Council of the Burgh of Helensburgh. The council have been unable to provide a copy of the will or these minutes. However no funds have been disbursed by the trust in 2015/16, the lack of governing documents has not impacted on our audit opinion.

**Resolution:** The council are asked to provide a copy of the minute of the meeting of the Town Council of the Burgh of Helensburgh, to support the purpose and terms of this trust. If it cannot be traced, the trustees should liaise with OSCR, as appropriate, and consider preparing new governance documents.

20. **McCaig Trust:** There are no trust deeds or governing documents available for this Trust. The financial statements disclose that funds be used toward the cost of a library and institute in Oban. The council have been unable to provide further details. However no funds have been disbursed by the trust in 2015/16, the lack of governing documents has not impacted on our audit opinion.



**Resolution:** The council are asked to provide a copy of the relevant document to support the purpose and terms of this trust. If it cannot be traced, the trustees should liaise with OSCR, as appropriate, and consider preparing new governance documents.

21. **Oban Common Good:** The council do not have a stock certificate to support the investment in Oban Livestock Preference Shares of £20,000. We were not able to verify this stockholding.

**Resolution:** The council will contact the stock investor intermediaries to request duplicate certificates for these investments for 2016/17.

22. **Baillie Gillies Bequest; Kidston Park Trust; Miss Annie Dickson Burgh Bequest; Logie Baird Prize Fund; Norman Stewart Institute Trust; Marquess of Bute Silver Wedding Dowry; McCaig Trust; County of Argyll Educational Trust:** In the main, trust assets are either cash balances with Argyll and Bute Council loans fund or bond investments. The return on the investment in the council's loans fund was 0.361% for 2015/16. Notwithstanding the low rates of return generally available, the rate of return appears to be considerably less than that available in the market. While we acknowledge that there is a cost involved in an actively managed portfolio, trustees should assure themselves by means of a costs benefits analysis that they are obtaining, commensurate with risk, the best returns possible.

**Resolution:** An investment manager will be used to seek to obtain a higher rate of return for trust funds.

## Acknowledgements

23. We would like to express our thanks to the staff of Argyll and Bute Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix A: Proposed Independent Auditor's Report

## Local authority registered charities (Receipts and payments accounts)

**Independent auditor's report to the trustees of** <name of trust/prepare one for each of the receipts and payments trusts at [appendix C](#) > **and the Accounts Commission for Scotland.**

I certify that I have audited the financial statements of <trust listed at [appendix C](#)> for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of receipts and payments, statement of balances, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

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 trustees and auditor

The trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. 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 or 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially 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:

- properly present the receipts and payments of the charity for the year ended 31 March 2016 and its statement of balances at that date
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

**Opinion on other prescribed matter**

In my opinion the information given in the Trustees' Annual Report 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 by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David Jamieson  
Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place,  
Glasgow,  
G2 1BT

xx September 2016

*David Jamieson is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.*

# Appendix B: Proposed Independent Auditor's Report

## Local authority registered charities (Fully accrued accounts)

### **Independent auditor's report to the trustees of <name of trust/prepare one for each of the fully accrued trusts at appendix C> and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of <name of trust> for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 trustees and auditor**

The trustees are responsible for the preparation of the financial statements which 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 or 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially 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 of the state of the charity's affairs as at 31 March 2016 and of its incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

### **Opinion on other prescribed matter**

In my opinion the information given in the Trustees' Annual Report 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 by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David Jamieson  
Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

xx September 2016

*David Jamieson is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.*

# Appendix C: Registered Trusts where Argyll and Bute Council is the sole trustee

- Baillie Gillies Bequest (Registered Charity SC013578)
- Kidston Park (Registered Charity SC013600)
- Miss Annie Dickson Bequest (Registered Charity SC018697)
- Logie Baird Prize Fund (Registered Charity SC018698)
- McCaig Trust (Registered Charity SC019599) \*
- Norman Stewart Institute (Registered Charity SC019601)x
- Marquess of Bute Silver Wedding Dowry (Registered Charity SC019607)
- County of Argyll Educational Trust Scheme 1960 (Registered Charity SC020382) \*
- Oban Common Good Fund (Registered Charity SC021328) \*

\* *Fully Accrued accounts*

x At the Council meeting on 21 April 2016 final authorisation was given to transfer the Norman Stewart Institute funds to For Bute (Scottish Charity Number SC044153).

# Appendix D: ISA 580 - Letter of Representation

David Jamieson  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
Nelson Mandela Place  
Glasgow  
G2 1BT

xx September 2016

Dear David

- Baillie Gillies Bequest (Registered Charity SC013578)
- Kidston Park (Registered Charity SC013600)
- Miss Annie Dickson Bequest (Registered Charity SC018697)
- Logie Baird Prize Fund (Registered Charity SC018698)
- McCaig Trust (Registered Charity SC019599)
- Norman Stewart Institute (Registered Charity SC019601)
- Marquess of Bute Silver Wedding Dowry (Registered Charity SC019607)
- County of Argyll Educational Trust Scheme 1960 (Registered Charity SC020382)
- Oban Common Good Fund (Registered Charity SC021328)

## Annual Accounts 2015/2016

1. This representation letter is provided in connection with your audit of the financial statements of the registered charitable trusts listed above where Argyll and Bute Council is the sole trustee for the year ended 31 March 2016. It is provided for the purpose of expressing an opinion as to whether the financial statements properly present the financial position of each of these registered charitable trusts as at 31 March 2016 and its receipts and payments for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where Argyll and Bute Council is the sole trustee, the following representations given to you in connection with your audit for the year ended 31 March 2016.

**General**

3. I acknowledge my responsibility and that of Argyll and Bute Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustees Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

**Financial Reporting Framework**

6. The financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).
7. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2016.

**Accounting Policies**

8. The Annual Report and Accounts have been prepared on a receipts and payments or an accruals basis as per applicable regulations and the founding documents of each Trust.

**Going Concern**

9. A number of the trusts have been dormant in recent years and Trustees are progressing reorganisation of the trusts with OSCR. Where this is the case it has been disclosed in the Trustees' Annual Report. The Trustees have assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

**Related Party Transactions**

10. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.



**Events Subsequent to the Statement of Balances Date**

- 11. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
- 12. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

**Corporate Governance**

- 13. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

**Fraud**

- 14. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

**Assets**

- 15. The cash fund and investments shown in the statement of balances at 31 March 2016 were owned by the registered charitable trust. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value or classification of the assets within the financial statements.

**Liabilities**

- 16. There are no known liabilities or claims against the trusts that would impact the income and expenditure contained within the financial statements.

Yours sincerely

**Kirsty Flanagan**  
**Head of Strategic Finance**

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**AUDIT COMMITTEE ANNUAL REPORT 2015/16****Introduction by the Chair of Audit Committee**

This report provides an overview of the Audit Committee's activity during the financial year 2015/16.

I am pleased to report that the Audit Committee continued 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".

The Audit Committee met quarterly throughout the financial year i.e. March, June, September, and December; the meetings were attended by representatives of the Head of Governance and Law, the Head of Strategic Finance, the Chief Internal Auditor, Audit Scotland along with other Council Officers as and when requested to attend.

In 2015/16, the following Councillors served on the Audit Committee at various points during the year; Gordon Blair, Maurice Corry, Iain MacDonald, Iain S MacLean, Richard Trail and Michael Breslin. In respect of the Chair and Vice Chair posts, I, Martin Caldwell continued in the role of Chair with Sheila Hill as Vice Chair and I am pleased to advise the our term has been extended to 31 October 2017.

In looking forward to 2016/17 and beyond, given the significant financial pressures challenges facing the Council and the implementation of major initiatives such as of Health and Social Care integration, the importance of an effective Audit Committee remains critical. Along with my fellow members I look forward to meeting the challenges ahead and continuing to add value to the Council's governance framework.

Martin Caldwell  
Chairperson

Sheila Hill  
Vice Chairperson

**Index**

	<b>Page</b>
1. Terms of Reference	<b>3</b>
2. Audit Committee Effectiveness and Impact	<b>5</b>
3. Assurances	<b>6 – 8</b>
• Internal Audit Assurance	
• External Audit Assurance	
• Risk Management	
• Annual Governance Statement	
4. Independence	<b>8</b>
5. Training and Development	<b>8</b>
6. Looking Forward	<b>8</b>
7. Conclusion	<b>9</b>

**1. Terms of Reference**

1.1 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.

1.2 The specific Terms of Reference are as follows –

**Constitution**

- The Council has established a Committee to be known as the Audit Committee.

**Key Activities**

- Agree the Internal Audit strategic plan, oversee and review action taken on Internal Audit recommendations;
- Consider the annual report, opinion, and summary of Internal Audit activity including the level of assurance it can give over the Council's corporate governance arrangements, internal control and risk management system, and to consider other specific Internal Audit reports.
- Consider the External Auditor's Annual Audit Plan, Annual Letter, relevant reports, and the report to those charged with governance and other specific External Audit reports;
- Comment on the scope and depth of External Audit work and to ensure it gives value for money;
- Commission work from Internal Audit, External Audit and third parties where appropriate;
- Consider the performance of Internal and External Audit;
- Facilitate training to support the role of Audit Committee Members;
- Develop a culture of compliance within the Council to ensure the highest standards of probity and public accountability;
- Support best practice in the financial administration of the Council;
- Review the Council's financial performance as contained in the Annual Report, and to report annually to the Council on the internal control environment;
- There should be a least one meeting a year, or part thereof, where the Audit Committee meets the Internal and External Auditors separately from management;
- The Committee will prepare an annual work plan setting out meeting dates for the financial year and anticipated Internal Audit, external audit and management reports expected to be covered at each meeting; and
- The Committee shall prepare an annual report to the Council covering its activities and key findings each year. This report will be considered at the Council meeting that agrees the External Auditor's annual audit letter; and in addition, the Committee will submit highlight reports to the Council as appropriate.

### **Regulatory Framework**

- Maintain an overview of the Council's Constitution in respect of contract procedure rules, and financial regulations;
- Monitor and seek assurance with regard to risk control measures through the review of the effectiveness of risk management systems and corporate governance in the Council;
- Monitor the Anti-fraud and corruption strategy and the Council's arrangements for dealing with any allegations of fraud or similar improper behaviour; and to consider the Council's compliance with its own and other published standards and controls; and
- Monitor the Council's compliance with the Public Interest Disclosure Act and the Bribery Act in the discharge of its functions.

### **Financial Accounts and Governance**

- Examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure that:
  - (a) The expenditure approved by the Council has been incurred for the purposes intended;
  - (b) Services are being provided efficiently and effectively;
  - (c) Value for money is being obtained, all in accordance with Best Value requirements; and
  - (d) The Council has appropriate information and advice available to them to make decisions.
- Review the annual statement of accounts, specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;
- Oversee the production of the Council's Governance and Internal Control Statement; and
- Consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Other Monitoring**

- Assess the effectiveness of the Council's Performance Management System;
- Consider performance and inspection reports from Internal Audit, external audit and other relevant scrutiny bodies;
- Commission specific reviews to be carried out where necessary;
- Review Best Value arrangements and outcomes, with consideration of both external and internal Best Value reports, strategy/plans and outcomes from Best Value reviews;

- Review the impact of national performance reports from external bodies such as Audit Scotland and consider their impact on future audit plans in terms of audit work to be undertaken by both external and Internal Audit; and
- The Chief Executive will attend one meeting per annum to report on how the Council is addressing its key strategic risks and other matters of interest.

## **2. Audit Committee's Effectiveness and Impact**

2.1 The Audit Committee's role is to ensure that the Council's internal control framework and governance arrangements are operating effectively. The Audit Committee receives and reviews reports covering:

- External and Internal Audit Annual Plans and Audit Reports;
- Quarterly Progress Reports on Internal Audit Activity;
- Audit Recommendation Follow up Reports;
- Risk Management Reports;
- Corporate Performance Audit Report;
- Council's Assurance & Improvement Plan;
- Financial Statements;
- Treasury Management Assurance Report;
- Where appropriate Audit Scotland National Reports;
- National Fraud Initiative Reports; and
- Performance Management Annual review /assurance report.

2.2 The Audit Committee has the right to request updates after reviewing submitted reports. This approach afforded the Audit Committee the opportunity to ask directly key questions and receive assurances. In addition, the Audit Committee can routinely challenge management when agreed audit recommendations implementation dates were missed.

2.3 Audit Scotland in March 2016 presented their Annual Audit Plan setting out their approach to the audit of the Council, reflecting their statutory duties and risk based approach. The Audit Plan was considered by the Audit Committee and accepted. Internal audit also presented their annual audit plan for 2016/17 which was approved.

2.4 It is disappointing to note that Member attendance at quarterly meetings has seen an adverse movement from previous years. It is essential that members of the committee engage in the process in order to ensure the Audit Committee builds on its effectiveness and maintains a positive impact and high profile within the Council.

A number of changes to the membership of the Committee took place during the year which has had an impact on continuity and development plans. Councillors Corry, MacDonald and Blair are no longer members of the Committee. There are currently two vacancies on the Committee.

2.5 In its ongoing development the Audit Committee introduced a number of changes resulting in additional assurance and improved effectiveness and these continue to mature. These are:

- Securing an Assurance Mapping report for the Council
- Developing communication protocols between Internal and External Audit

- Developing a link between Audit and Performance Review & Scrutiny Committees
- Securing an Annual Audit and Risk report from the Chief Executive.
- Strengthening the process of annual audit plan preparation by requesting draft version for early discussion.
- Undertaking Effectiveness self -evaluation using CIPFA guidance documentation
- Introduction of informal Effectiveness / development sessions prior to Audit Committee meetings.

2.6 Increased management attendance at Committee meetings has allowed members to challenge officers actively in relation to findings and recommendations within reports. It is intended that where reports are of limited assurance level then relevant management /officer representation will be available as matter of course.

### **3. Assurances**

#### **3.1 Internal Audit Assurance**

3.1.1 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. The Committee is pleased to note the Internal Audit team has been appropriately resourced throughout the year allowing the timely completion of the annual audit plan.

3.1.2 The Committee has received regular reports and information from the Chief Internal Auditor including:

- Internal Audit's risk based planning methodology and annual audit plan;
- Regular progress 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.

3.1.3 Control weaknesses are effectively dealt with via a follow-up process which is reporting quarterly to the Committees emphasising the importance of fully implementing Internal Audit recommendations.

3.1.4 At the March 2016 meeting, the committee noted a change to Assurance opinions with main change being the introduction of Reasonable Assurance which sits between existing Substantial and Limited opinions. This change will be effective from April 1<sup>st</sup> 2016.

#### **3.2 External Audit Assurance**

3.2.1 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.



3.2.2 Assurance was received from external auditors, Audit Scotland, for 2014/15 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.

3.2.3 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 2014/15.

3.2.4 The external auditor's 2014/15 Annual Audit Report on the council (September 2015) highlights that operational governance arrangements are generally sound, with key financial controls operating effectively. In their 14/15 report, External Audit included a review of internal audit and 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.

### **3.3 Systems of Risk Management**

3.3.1 It is the role of the Audit Committee to gain assurance on the adequacy of the system of internal controls and on the adequacy of the system of risk management. The role of the Audit Committee is to test the adequacy of the arrangements in place to manage risk. The Audit Committee in 2015/16 received risk management reports and these showed continued progress by the Council in the development and regular review of risk management systems. The Audit Committee has agreed to maintain its focus on seeking assurance on the development of adequate systems of risk management. The Audit Committee continue to receive an Assurance Mapping report prepared by Grant Thornton, Internal Audit Strategic partners. The Chief Executive also submitted a report to the committee on Audit and Risk arrangements.

### **3.4 Governance & Internal Control**

3.4.1 In accordance with the CIPFA/SOLACE guidance note for Scottish Local Authorities, issued in May 2009, the completed Local Code of Governance 2013/14, together with an Action plan was presented and reviewed at the June 2015 Audit Committee meeting. The draft Statement of Governance & Internal Control was also reviewed and noted for inclusion in the Annual Accounts, subject to External Audit feedback. A final version was submitted to the PRS committee for formal approval.

3.4.2 The draft Statement of Governance & Internal Control was informed by the:

- Work of officers within the Council;
- Work of External and Internal Audit;
- Statements of governance or internal control provided by external bodies;
- External review and inspection reports and
- Recommendations from the Audit Committee.

The content of the Governance Statement and the process for preparing the Governance Statement has been reviewed for 2015-16 financial year-end.

#### **4. Independence**

- 4.1 To assist in preserving the Committee's independence and provide a clear distinction between the Audit Committee and the Performance Review and Scrutiny Committee measures are in place including:
- The appointment of an independent chair and vice chair; and
  - Clear terms of reference for both Committees
- 4.2 There are areas where Audit and Scrutiny naturally combine and a basic protocol for joined up working or areas of collaboration is in place. The Chief Internal Auditor, although having no direct operational responsibility, will have an overview of Scrutiny support arrangements and will liaise with the respective chairpersons.

#### **5. Training and Development**

- 5.1 The Council continues with its Internal Audit partnership approach with Grant Thornton which has proved very beneficial in terms of PSIAS compliance, strategic support and specialist discreet areas of work. Looking forward Grant Thornton will undertake a piece of work in relation to preparing an IT Risk Assurance MAP which will be used to inform future year Audit Plans.
- 5.2 Audit Committee Effectiveness sessions have taken place throughout the year, aimed at addressing themes arising from analysis of the CIPFA self-assessment exercise. It is anticipated that these will continue throughout 16/17, albeit in a different format and frequency. Any specific training requirements or requests will be addressed as and when they arise.

#### **6. Looking Forward**

- 6.1 Argyll and Bute Council was previously incurring an External Audit fee at the higher level as a result of increased correspondence from members of the public. In my last report I noted it was the desire of the Audit Committee in carrying out its activities to endeavour to add additional assurance in respect of governance, risk and control processes which would hopefully contribute to a possible reduction in external audit fees. I am pleased to note that the Audit Fee has now reduced and hope that the work of the committee contributed, in some part, to the overall reduction.
- 6.2 The Committee is committed to self-evaluation and continuous improvement. Due to current vacancies and change in membership, effectiveness sessions will be postponed in the short term and replaced with a development day for new and existing members. I would like to thank members for their attendance and contributions to these to sessions. Our focus will continue to be on the role of the Audit Committee, developing skillset and expertise to allow effective challenge together with the on-going interaction with the work of the Scrutiny committee and as such it is essential that the vacancies on the committee are filled as early as possible and that new members of the committee are fully signed up to continuous improvement.

**7. Conclusion**

- 7.1 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 an overall substantial assurance opinion can be placed upon the adequacy and effectiveness of the Council's internal control system in 2015/16. It is noted that 4 reports did have limited assurance with unacceptable residual risk and weaknesses identified however this is mitigated by active monitoring and follow up of recommendations together with timely management action. This follow up process will be further enhanced by the inclusion of supplementary further testing within the continuous monitoring programme.
- 7.2 Throughout 2015/16 the Audit Committee evolved and continues to evolve with an agreed framework of reporting and agenda management 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.

Audit Committee performance has been aided through the expertise and contribution from its Members during 2015/16.

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**MINUTES of MEETING of SHORT LIFE WORKING GROUP ON POLITICAL MANAGEMENT  
ARRANGEMENTS held in the COMMITTEE ROOM 1, KILMORY, LOCHGILPHEAD  
on MONDAY, 24 OCTOBER 2016**

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

Councillor Rory Colville	Councillor James Robb
Councillor Robin Currie	Councillor Elaine Robertson
Councillor Anne Horn	Councillor Len Scoullar
Councillor Roderick McCuish	Councillor Sandy Taylor
Councillor Aileen Morton	Councillor Richard Trail
Councillor Ellen Morton	

**Attending:** Cleland Sneddon, Chief Executive  
Douglas Hendry, Executive Director of Customer Services  
Charles Reppke, Head of Governance and Law  
Patricia O'Neill, Central Governance Manager  
Rona Gold, Community Planning Manager  
Shona Barton, Area Committee Manager

**1. APOLOGIES FOR ABSENCE**

There were no apologies intimated.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTES**

The Minutes of the Short Life Working Group held on 22 September 2016 were approved as a correct record.

**4. POLITICAL MANAGEMENT ARRANGEMENTS**

The Short Life Working Group considered a report which provided information on the Committee Structures, Area Committees and Scrutiny arrangements adopted by other Scottish Local Authorities together with feedback on the engagement with Members in relation to their views on how the current Political Management Arrangements are working.

Councillor Colville left the meeting at 3.30pm.

**Decision**

The Short Life Working Group:

1. Requested Officers to draft a report for the next meeting based on a range of options of Committee structures based on page 6 of the submitted report, including Area Committees, and on the points raised below.

2. Requested that the Community Planning Manager draft a report for the next meeting based on the themes of community engagement and localism, to assist further consideration of how best to engage with communities.

Points raised during discussion.

- PPSL Committee fit for purpose.
- Full Council taking all decisions not fit for purpose.
- Consider possibilities to combine Audit and PRS Committee.
- Locality arrangements.
- More delegation to committees so that reports are not coming before more than one Committee, and how would this amend the Constitution.
- Time limits on discussion of items at meetings, and /or items on an agenda purely for noting.

(Ref: Report by Executive Director of Customer Services dated 11 October 2016, submitted)

**5. A PLAN FOR SCOTLAND: THE SCOTTISH GOVERNMENT'S PROGRAMME FOR SCOTLAND 2016/17**

The Short Life Working Group considered a report which provided a high level overview of the Scottish Government's Programme for Scotland 2016-17 which included reference to the Islands Bill. The report also provided an update on the Community Engagement Bill and highlighted issues Members may wish to take into consideration in the review of Political Management Arrangements.

**Decision**

The Short Life Working Group noted the contents of the submitted report.

(Ref: Report by the Executive Director of Customer Services dated 11 October 2016, submitted)

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**ARGYLL AND BUTE COUNCIL**  
**CUSTOMER SERVICES**

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**COUNCIL**  
**24 NOVEMBER 2016**

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**POLITICAL MANAGEMENT ARRANGEMENTS**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 This report advises members of a vacancy on the Dunoon Health and Social Care Locality Planning Group due to the resignation of Councillor Breslin and invites members to nominate an Elected Member to the Group to fill the vacancy.
- 1.2 The report further advises the Council of the notification from Councillor Robert E Macintyre to re-join the SNP Group.

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**POLITICAL MANAGEMENT ARRANGEMENTS**

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**2.0 INTRODUCTION**

- 2.1 A vacancy has arisen on the Dunoon Health and Social Care Locality Planning Group due to the resignation of Councillor Breslin and members are invited to nominate an Elected Member to the Group.
- 2.2 Notification from Councillor Robert E Macintyre that he is re-joining the SNP Group.

**3.0 RECOMMENDATIONS**

- 3.1 That the Council nominate an elected member from the Dunoon area to sit on the Locality Group.
- 3.2 That the Council note the terms of the report.

**4.0 DETAIL****4.1 *Locality Planning Groups***

The Council at its meeting on 30 June 2016 considered a request for elected member nomination for membership of each of the Argyll and Bute Health and Social Care Partnership's newly established Locality Planning Groups from the Chief Officer for the Partnership. These groups are responsible for planning the delivery of local health and social care services, and are noted in the Groups' Terms of Reference to be the "engine room" in achieving the vision of the Partnership.

Groups had been established in each of the following localities and Council has nominated elected members to each of the Groups:

- Helensburgh and Lomond – Councillor Dance
- Dunoon – Councillor Breslin
- Oban – Councillor MacLean
- Mull and the Islands (includes Iona, Coll, Tiree and Colonsay) – Councillor McCuish
- Mid Argyll – Councillor Philand
- Islay and Jura – Councillor Currie
- Bute – Councillor Strong
- Kintyre – Councillor Armour



- 4.2 Due to the resignation of Councillor Breslin from the Dunoon Locality Planning Group a vacancy has arisen which requires to be filled.

## **5.0 CONCLUSION**

- 5.1 This report proposes that Council nominate an elected member to sit on the Dunoon Locality Planning Group.
- 5.2 To note that Councillor Robert E Macintyre has re-joined the SNP Group.
- 5.3 An updated composition is attached at Appendix 1.

## **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.

### **Executive Director of Customer Services 1 November 2016**

For further information contact: Tricia O'Neill, Central Governance Manager, Kilmory, Lochgilphead, tel: 01546 604384

Appendix 1 – Political Composition

## Appendix 1

<b>Argyll and Bute Council Political Composition</b>
<b>ARGYLL FIRST (2)</b>  <b>Douglas Philand (Ind) (Leader of Argyll First)</b> Donald Kelly (Con)
<b>THE ARGYLL, LOMOND AND THE ISLANDS GROUP (11)</b>  Rory Colville (LD) Maurice Corry (Con) Robin Currie (LD) Mary Jean Devon Kieron Green (Ind) David Kinniburgh (Con) Roddy McCuish Aileen Morton (LD) <b>Ellen Morton (LD) (Leader of the Argyll, Lomond and the Islands Group)(Depute Leader of the Council)</b> Gary Mulvaney (Con) Elaine Robertson (Ind)
<b>ALLIANCE OF INDEPENDENT COUNCILLORS (7)</b>  Alistair MacDougall (Ind) Robert G MacIntyre (Ind) Donnie MacMillan (Ind) Alex McNaughton (Ind) Jimmy McQueen (Ind) Len Scoullar (Ind) (Provost) <b>Dick Walsh (Leader of Alliance of Independent Councillors)(Leader of the Council)</b>
<b>SCOTTISH NATIONAL PARTY GROUP (9)</b>  John Armour William Gordon Blair Anne Horn Robert E Macintyre Julie McKenzie James Robb Isobel Strong <b>Sandy Taylor (Leader of SNP Group)</b> Richard Trail
<b>REFORM GROUP (3)</b>  <b>Michael Breslin (Leader of the Reform Group)</b> Vivien Dance (Depute Leader of the Reform Group) Bruce Marshall (Secretary of the Reform Group)

George Freeman (Ind)  
Iain Stewart MacLean (Ind)  
John McAlpine (Ind)  
Neil McIntyre (LAB)

Note:

Ind = Independent

SNP = Scottish National Party

NPA = Not Politically Affiliated

LD = Liberal Democrat

Con = Conservative

LAB = Labour

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**ARGYLL AND BUTE COUNCIL****Council****Customer Services****24 November 2016**

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**Private Items for Committee**

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**1.0 EXECUTIVE SUMMARY**

This report provides information on the numbers of reports which are submitted to Council and its Committees and also gives detail on the numbers of reports which are considered under the exclusion of the public (exempt items). The report also provides some background to the reasons for items being considered in private session.

Members are asked to note the contents of the report.

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**ARGYLL AND BUTE COUNCIL****Council****Customer Services****24 November 2016**

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**Private Items for Committee**

---

**2.0 INTRODUCTION**

- 2.1 This report provides information on the number of reports which are submitted to Council and its Committees and gives details on the number of reports which are considered following the exclusion of the public (exempt items).

**3.0 RECOMMENDATIONS**

- 3.1 The Council is asked to note the contents of the report.

**4.0 DETAIL**

- 4.1 The Council Constitution states at Standing Order 7 that “Every meeting of the Council, its Committees, Sub-Committees and Short Life Working Groups will be open to the public, except in special circumstances”. One of these circumstances being when an item of business is being considered, it is likely because of the business itself or what might be said, that confidential information would be given to members of the public.
- 4.2 In this circumstance there is provision in the Local Government (Scotland) Act 1973 which allows for the Members to decide by passing a resolution to exclude the public for the particular item of business. The resolution will make clear which part of the proceedings that the exemption will apply to and will provide a reason for this using the relevant Paragraph from Section 50A(2) of the 1973 Act.
- 4.3 When agendas are issued, only those items which are intended to be heard in public are published on the Council website and made publically available. However, it is for Members to decide at the meeting if they wish to pass the resolution and consider the item in private session. In circumstances where Members have agreed that the item of business should be heard in public session, the relevant report(s) are then uploaded to the Council website for public viewing. Officers who are submitting reports to Council or Committee will seek advice regarding the contents of their reports and on the agenda for meetings it is made clear which items have been considered to contain confidential information, these are marked with an “E” on the agenda.

- 4.4 Council meetings may consider items which contain commercially sensitive information or could disclose the intentions of the Council in relation to ongoing proceedings (for example Compulsory Purchase Orders).
- 4.5 Information is provided at Appendix 1 on the numbers of reports that have been submitted to Council and its Committees over the most recent Committee Cycle from December 2015 to September 2016. It can be seen from the figures that 10% of the reports which have been put to the Council or Committee have been considered when the public have been excluded which is 3.8% less than when this was previously reported to Council in 2015. It should also be highlighted that there has been occasion where there have been items which have been partly considered in public and partly considered in private – for example some of the reports to the Oban Area Committee and to Policy and Resources Committee which relate to the Lorn Arc project, when the main report was considered in public but the Appendices were considered in private. This is another example of efforts made to put matters into the public domain and shows that officers work closely with colleagues in Governance and Law to ensure that as many reports are considered in public.
- 4.6 It should be noted that although officers will recommend that an item contains confidential information and should be considered in private session, the final decision on whether to exclude the press and public lies with the Members.
- 4.7 The table in the Appendix also shows that there are some Committees where the nature of the business being considered has meant an increase in the number of exempt items. This is particularly well illustrated in relation to the business being considered by the Area Committees, where the CHORD projects are still being progressed or where a property disposal is involved there is higher instance of exempt papers being considered.
- 4.8 The reasons for exemption are also outlined in the Appendix, with the majority of the instances being where there is information contained which relates to the terms of a contract (Appendix 2 lists the reasons which are attached to each Paragraph from the 1973 Act). The PPSL Committee also has regular reports on enforcement action and this is reflected in the relatively high number of Paragraph 13 exemptions for this Committee. Also relating to the PPSL Committee there are a number of hearings considered by this Committee and it should be noted that the Council has taken the view that the majority of these will be heard in public. This practice varies across Scottish Local Authorities, with just over two thirds of Authorities holding their Civic Government Hearings partly or fully in private session. This demonstrates that the Council is working to have as much information in the public domain as is possible.

## **5.0 CONCLUSION**

- 5.1 This report provides information on the numbers of reports which are being considered in private session by the Council and its Committees. Where a report is considered in private, this is decided by the Members of the Committee who have to agree to pass a resolution to exclude the public from the meeting. Officers work closely with colleagues in Governance and Law to ensure that

where possible reports are considered in public, but also to ensure that where appropriate reports are properly considered in private. Therefore, it is important to note that the number of reports which are considered in private session is dependent on a number of factors as previously outlined.

- 5.2 The Head of Governance and Law has reviewed the use of exempt paragraphs for the period and is of the opinion that there was a reasoned justification for each of these. The majority of cases are to support tendering processes, to protect financial affairs of third parties or in respect of the contemplation of planning enforcement action. The justification for taking such items in private will rarely, if ever, give rise to contention and are clearly based on objective reasoning and the figures in the table should be considered in the context that many occasions are actually related to the same item being considered on a number of occasions.

## 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

### **Executive Director of Customer Services**

**Policy Lead – Councillor Dick Walsh**

25<sup>th</sup> October 2016

**For further information contact:** Charles Reppke, Head of Governance and Law  
(01546) 604192

## **APPENDICES**

Appendix 1 – table of Exempt items

Appendix 2 – reasons for exemption



**Appendix 1**

Meeting Dec 15 – Sept 16	Total reports	Total Exempt	% Exempt	Exempt Paragraph Number Used														
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Council	107	8	7.47%								8	8						
Policy and Resources	72	10	13.8%								6	9						
Community Services	54	0	0%															
Env, Dev and Infra	41	0	0%															
PPSL	126	19	15.5%						3							16		
PRS	33	0	0%															
Audit	46	0	0%															
Bute and Cowal AC	58	9	15.5%								9	9						
MAKI AC	48	5	10.4%						2		2	2				1		
H&L AC	59	9	15.25%								5	9						
OLI AC	46	9	19.5%								9	9						
<b>Totals</b>	<b>690</b>	<b>69</b>	<b>10.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>39</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>0</b>

## Appendix 2

**Paragraphs from Part 1 of Schedule 7a to the Local Government (Scotland) Act 1973**

- 1 Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office holder, former office-holder or applicant to become an office-holder under, the authority.
- 2 Information relating to any particular occupier or former occupier of, or applicant for, accommodation provided by or at the expense of the authority.
- 3 Information relating to any particular applicant for, or recipient or former recipient of, any service provided by the authority.
- 4 Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority.
- 5 Information relating to the adoption, care, fostering or education of any particular child or relating to the supervision or residence of any particular child in accordance with a supervision requirement made in respect of that child under the M1Social Work (Scotland) Act 1968.
- 6 Information relating to the financial or business affairs of any particular person (other than the authority).
- 7 Information relating to anything done or to be done in respect of any particular person for the purposes of any of the matters referred to in section 27(1) of the Social Work (Scotland) Act 1968 (providing reports on and supervision of certain persons).
- 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.
- 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.
- 10 The identity of the authority (as well as of any other person, by virtue of paragraph 6 above) as the person offering any particular tender for a contract for the supply of goods or services.
- 11 Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office-holders under, the authority.

- 12 Any instructions to counsel and any opinion of counsel (whether or not in connection with any proceedings) and any advice received, information obtained or action to be taken in connection with—
  - (a) any legal proceedings by or against the authority, or.
  - (b) the determination of any matter affecting the authority, (whether, in either case, proceedings have been commenced or are in contemplation).
  
13. Information which, if disclosed to the public, would reveal that the authority proposes—
  - (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or.
  - (b) to make an order or direction under any enactment.
  
- 14 Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.
  
- 15 The identity of a protected informant.

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**ARGYLL AND BUTE COUNCIL****Council****Customer Services****24 November 2016**

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**2018 Review of UK Parliament Constituencies - Boundary Commission for Scotland Proposals**

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**1.0 EXECUTIVE SUMMARY**

This report provides information on the Boundary Commission for Scotland consultation on its proposals relating to the 2018 Review of UK Parliament constituencies.

The review is being conducted simultaneously by the four UK Parliamentary Boundary Commissions, and will result in a UK Parliament elected from 600 constituencies in place of the current 650, and in 53 constituencies in Scotland in place of the current 59.

Two of these 53 (Na h-Eileanan an Iar (the Western Isles) and Orkney and Shetland) are defined in the legislation and will not be subject to change.

As set out in legislation, each of the remaining 51 constituencies must:

- not exceed the maximum permitted area of 13,000 square kilometres; and
- be within five per cent of the UK electoral quota of 74,769.2 (i.e. to have between 71,031 and 78,507 electors), except where a constituency is larger than 12,000 square kilometres when it may have fewer than 71,031 electors.

Due to the reduction in the number of constituencies, and the requirements for each constituency to have a number of electors within set limits, changes to constituencies are required.

The proposal with respect to Argyll and Bute Council area is to establish an Argyll, Bute and Lochaber county constituency of 77,574 electors and an approximate area of 10,302 square kilometres. The proposed constituency boundary follows ward boundaries in Argyll and Bute and Highland council areas with one exception: Highland ward 12 (Caol and Mallaig), where the boundary generally follows community council area boundaries and the Caledonian Canal.

The Commission is consulting the public on Initial Proposals; it may produce Revised Proposals during 2017, and would expect to make final recommendations for constituencies in 2018. This phase of the consultation will run until 11 January 2017.

The Council is invited to consider the Boundary Commission proposals and determine its response with regards to the 2018 Review of UK Parliament Constituencies.

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**ARGYLL AND BUTE COUNCIL****Council****Customer Services****24 November 2016**

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**2018 Review of UK Parliament Constituencies - Boundary Commission for Scotland Proposals**

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**2.0 INTRODUCTION**

- 2.1 This report provides information on the Boundary Commission for Scotland consultation on its proposals relating to the 2018 Review of UK Parliament constituencies.

Under the proposals the Argyll and Bute constituency boundary will spread north to incorporate 2 wards within Highland Council including areas such as Fort William, Mallaig, Ardnamurchan and the Small Isles. The new constituency will be called Argyll, Bute and Lochaber and will have 77574 electors.

**3.0 RECOMMENDATIONS**

- 3.1 The Council is invited to consider the Boundary Commission proposals and determine its response with regards to the 2018 Review of UK Parliament Constituencies.

**4.0 DETAIL**Background to the review

- 4.1.1 The 2018 review of UK Parliamentary constituencies is required by the Parliamentary Constituencies Act 1986. It is being conducted simultaneously by the four Boundary Commissions in Scotland, England, Northern Ireland and Wales. Across the UK, the number of constituencies is being reduced from 650 to 600. In Scotland there will be a decrease from 59 to 53 constituencies, with similar reductions in each part of the UK: England 501 in place of the current 533; Wales 29 in place of the current 40; and Northern Ireland 17 in place of the current 18.
- 4.1.2 The electoral quota for the review, which is the average electorate per constituency across the UK, is 74,769.2, with the electorate of each constituency having to be within five per cent of that. That means the smallest permitted electorate for a constituency is 71,031 and the largest permitted electorate is 78,507. The maximum permitted area is 13,000 square kilometres. In Scotland, exceptions to these limits apply for Na h-Eileanan an Iar constituency (the Western Isles), and Orkney and Shetland constituency, each of which are defined in the legislation.
- 4.1.3 An exception to the minimum electorate requirement can be made if a

constituency is larger than 12,000 square kilometres which can only occur in very sparsely populated areas. The electorate for this review is taken from the electoral register published on 1 December 2015.

- 4.1.4 Subject to the above requirements, the legislation states that the Boundary Commission may take into account, as it thinks fit, other factors, namely:
- special geographical considerations, including the size, shape and accessibility of a constituency;
  - boundaries of council areas and electoral wards;
  - existing Westminster constituency boundaries; and
  - any local ties which would be broken by changes in constituencies.
- 4.1.5 Due to the reduction in the number of constituencies, and the requirements for each constituency to have a number of electors within set limits, changes to constituencies are required. These proposed changes as set out at the attached link and are out for consultation until 11<sup>th</sup> January 2017:  
[http://www.bcomm-scotland.independent.gov.uk/2018\\_westminster/initial\\_proposals/index.asp](http://www.bcomm-scotland.independent.gov.uk/2018_westminster/initial_proposals/index.asp)
- 4.2 Argyll, Bute and Lochaber Constituency  
Under the proposals the current Argyll and Bute constituency boundary will spread north to incorporate 2 wards within Highland Council including areas such as Fort William, Mallaig, Ardnamurchan and the Small Isles. The new constituency will be called Argyll, Bute and Lochaber, will have 77,574 electors and cover an approximate area of 10,302 square kilometres. Geographically this is the second largest constituency in Scotland
- 4.3 These proposals are not dissimilar to those mooted in the 6<sup>th</sup> Review in 2011, however in addition to Highland Ward 22 they now incorporate parts of Ward 12 which includes the Small Isles (Rum, Eigg, Muck and Canna) and Mallaig.
- 4.4 In the circumstances the proposed area and electorate meets the requirements laid down by statute. It is clear that there is no established link, other than an historical one, between the communities of Lochaber ward, and the rest of Argyll and Bute but it is fair to assess that the communities share similar issues around “island proofing”, remoteness, rurality, sparsity and economic challenges arising therefrom.
- Election Responsibilities
- 4.5 With regards to the Returning Officer responsibilities for election administration the inclusion of the additional areas would involve cross boundary cooperation with Highland Council in regard to polling stations staff and other resources as well as creating a short term challenge for staff in familiarising themselves with the area of Lochaber. It would also be necessary to address the additional time for collection of ballot boxes and delivery to a count centre in Lochgilphead could mitigate against any night time counting of votes as the travel time from some of the outer areas such as Mallaig and Kilchoan to Lochgilphead is up to 4 hours and that would be after the arrival of all boxes from outlying areas.

## 5.0 CONCLUSION

- 5.1 The proposals are compliant with the legislative requirements placed on the Commission but represent a substantial increase in the geographic area of the constituency which will create the second largest in Scotland. Whilst the communities have similar characteristics they fall within different Local Authority areas and have little tradition of interaction with Fort William and the Lochaber area looking north to Inverness for all its public and private sector services.
- 5.2 The Council has always been keen to see co-terminosity of Council boundaries with electoral processes but given the parameters set by the commission that isn't possible. The addition of part of Highland Ward 12; Caol and Mallaig (3,685 electors) and Highland Ward 22 ;Fort William and Ardnamurchan (7,945 electors) to the Argyll and Bute wards electorate (65,944) means the constituency would operate within the necessary legislative parameter of between 71031 – 78,507 electors. The Council may wish to consider if there is any alternative option for the Council to meet these parameters
- 5.3 The Council is invited to consider the Boundary Commission proposals and determine its response with regards to initial proposals for the 2018 Review of UK Parliament Constituencies.

## 6.0 IMPLICATIONS

- 6.1 Policy None
- 6.2 Financial The costs of running an election will be increased but are met by Government.
- 6.3 Legal None
- 6.4 HR There will be an increased burden on council staff in supporting elections covering the enlarged area.one
- 6.5 Equalities None
- 6.6 Risk None
- 6.7 Customer Service None

**Douglas Hendry**  
**Executive Director of Customer Services**  
**7 November 2016**

**Policy Lead – Councillor Dick Walsh**

**For further information contact:** Charles Reppke, Head of Governance and Law  
(01546) 604192



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**ARGYLL AND BUTE COUNCIL****COUNCIL****CHIEF EXECUTIVE****24 NOVEMBER 2016**

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**Evaluation Of The Argyll and Bute Refugee Resettlement Programme**

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**1.0 EXECUTIVE SUMMARY**

Argyll and Bute Council was one of the first local authorities in Scotland to respond to the humanitarian crisis developing in Syria by agreeing to resettle Syrian refugee families through the Home Office's Syrian Vulnerable Persons Relocation Scheme. Nearly a year on from the arrival of the first group of refugees the support given to the families on Bute has been evaluated. Seeking the views of the families who were resettled on the island a comprehensive analysis has considered the support given against the following headings; housing, education, welfare and employability, health and integration into the community. The lessons learnt from all agencies and the volunteers have helped to inform the support that is delivered to the families and the model is constantly reviewed to ensure that it best meets the needs of the families living on the Isle of Bute. The strength of the partnership working and the commitment to improve the lives of our Syrian families by everyone involved has driven the success of the programme.

The recommendations in the report are:

That members note the content of this report and the good work of the Refugee Resettlement Group in resettling Syrian refugees on the Isle of Bute.

That members agree the resettlement of further families on Bute beyond the initial 20 family commitment reflecting the success of the support programme and the clear desire of the families to be joined by their extended family living as refugees in the countries surrounding Syria. The Refugee Resettlement Group would ensure that suitable housing is available, the health service can support medical needs and there is capacity in the schools.

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**ARGYLL AND BUTE COUNCIL****COUNCIL****CHIEF EXECUTIVE****24 NOVEMBER 2016**

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**Evaluation Of The Argyll and Bute Refugee Resettlement Programme**

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**2.0 INTRODUCTION**

- 2.1 In September 2015 Argyll and Bute Council became one of the first local authorities in Scotland to respond to the humanitarian crisis developing in Syria by agreeing to resettle Syrian refugee families through the Home Office's Syrian Vulnerable Persons Relocation Scheme. This scheme had been relaunched by the Home Office to meet the commitment of the then prime minister to resettle 20,000 Syrian refugees during the lifetime of this parliament.
- 2.2 At the September 2015 Council meeting elected members agreed that we would resettle 20 families in the first instance with the possibility of more in the future. The Refugee Resettlement Group was formed under the banner of the Community Planning Partnership with membership from both Council services and partner agencies. Members included housing, education, adult learning, health and social work, benefits, Business Gateway, communications, ACHA, Fyne Homes, Police Scotland, Scottish Fire and Rescue, DWP and from the third sector Bute Advice Centre, Carr Gomm and Argyll and Bute Third Sector Interface (TSI).
- 2.3 The Refugee Resettlement Group agreed that Bute best met the criteria drawn up to support refugee families having available property, capacity in schools and ability to access health care. Other considerations were also taken into account but these three were the primary factors.
- 2.4 The first 10 families were resettled on Bute on 3 December 2015 followed by a further 5 families on 15 February 2016. Moving forward it was agreed that we would look to resettle relatives of those we had already brought to the island, having submitted a number of family reunification requests to the Home Office. We have now brought in three families through this route and reuniting families has had a hugely positive effect on our families and makes the delivery of support significantly easier.
- 2.5 As the project has been running for just over a year and many of our families are reaching the end of their first year of the 5 year programme, the council is required to evaluate the programme and look to see what has worked well and what we can do better in the future.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that the council:

a) note the content of this report and the good work of the Refugee Resettlement Group in resettling Syrian refugees on the Isle of Bute.

b) agree the resettlement of further families on Bute beyond the initial 20 family commitment reflecting the success of the support programme and the clear desire of the families to be joined by their extended family living as refugees in the countries surrounding Syria. The Refugee Resettlement Group would ensure that suitable housing is available, the health service can support medical needs and there is capacity in the schools.

### **4.0 DETAIL**

4.1 Refugees arriving in the UK under the Syrian Vulnerable Persons Relocation (VPR) Scheme are entitled to a 5 year humanitarian visa which allows them access to benefits and the ability to work in the UK. Families are matched to their local authorities by the Home Office and prior to our families arriving council staff put considerable time in advising the Home Office about Argyll and Bute and our geography, our communities and our labour market.

4.2 The Council was assured that the arriving families would be from rural Syria. This information turned out not to be accurate and we have families from Damascus, Aleppo, Homs and Daraa and some families from rural areas. However the skills and experience that our families bring are transferable and it is hoped that improving English language skills will enable many to be able to find work opportunities.

4.3 Each family is supported by a range of agencies who work with them. Bute Advice Centre are commissioned to provide a support worker for each family and the Council has appointed two Arabic speaking community interpreters and a refugee support worker to coordinate all of the arrangements. These services are funded by the grant provided by the Home Office.

4.4 At 31 October 2016 there are 18 refugee families resettled on Bute under the VPR scheme. This equates to 70 individuals in total; 17 men, 18 women, 19 boys and 15 girls and one baby born on the island in April. There are more babies due to be born in the next few months. Babies born in Scotland are granted the refugee status of their parents and we do not receive funding for them under the scheme.

4.5 Families are free to leave the local authority they have been matched to and should they move to another location their funding would cease to our authority, it does not however follow them. Since our first families arrived the Home Office

have changed their funding policy and procedures and whilst there has been no overall change in the monies received we currently have the challenge in claiming in accordance with the terms of three different payment schemes.

- 4.6 The Syrian VPR scheme provides funding over a five year period for each individual. Local authorities receive the following unit costs from the Home Office in year 1:
- |  |                     |
|--|---------------------|
| Children under the age of 3              | Unit cost = £8,520  |
| Children aged 3-4                        | Unit cost = £10,770 |
| Children aged 5-18                       | Unit cost = £13,020 |
| Adults in receipt of mainstream benefits | Unit cost = £8,520  |
| Other adults                             | Unit cost = £8,520  |
- Age is taken at date of arrival in the UK and year 1 costs commence at that date. Additional monies are paid direct to the local Health Boards to cover both primary and secondary care. Year 2 to 5 funding is allocated on a tariff basis over four years, tapering from £5,000 per person in year 2 to £1,000 per person in year 5. The overall total budget for year 1 for 69 refugees is circa £680k.

- 4.7 When looking to evaluate our Refugee Resettlement Programme the Scottish Government's New Scot's - Integrating Refugees in Scotland's Communities Strategy provides a framework and an indicator set which not only reflects the support we have provided but also the needs of our families from day 1 of their arrival. The strategy promotes a model similar to that of our own with partnership approaches, joined up working and early intervention to support refugees to rebuild their lives in Scotland. The three areas within the strategy are to support refugees to
- Build a new life in Scotland and realise their potential;
  - Access mainstream services, employment and training; and
  - Develop social relations to support their integration
- This has allowed us to evaluate our refugee resettlement programme in relation to the support and advice provided under the following headings; housing, education, welfare and employability, health and integration into the community.

- 4.8 Each of our families were invited to be interviewed and asked to score the support that they have received from all agencies and volunteers on a scale of 0 to 7, with 1 being the lowest score and 7 the highest and a score of 0 not relevant. The refugee resettlement group also self-scored as a comparator. The scores given by each family is illustrated in appendix 1. The support that has been provided for each heading is detailed below along with the key learning points

## 5.0 Housing

- 5.1 Availability of suitable housing was the first priority for the group, working with the Registered Social Landlords on Bute, ACHA and Fyne Homes, we have been able to provide appropriate housing for all of our families. Void costs are covered by the Home Office as part of the funding package and the RSLs were able to decorate and modernise their properties, whilst the council's housing

team oversaw the carpeting and furnishing. Each family's property is finished to a high standard and in addition to new furniture, "starter packs" with bedding, towels, crockery, cutlery, pots and pans are provided by the Pass It On project and each child was welcomed to their new bedroom by a toy box full of donated toys to help them to settle in.

- 5.2 Each family has signed a Scottish Secure Tenancy agreement with the RSL's which offers greater degree of security for the families than a private tenancy.
- 5.3 Televisions and TV licences were purchased for each family, TV is a very useful way of helping to learn a new language and a year's broadband was also provided again to help with the learning of language but also as a means to stay in touch with family back home through Skype etc.
- 5.4 The resettlement of refugees on Bute attracted a significant amount of media attention and donations for the families were received from across Argyll and Bute and wider afield. The initial arrivals were greeted with a massive amount of donations comprising clothing, food, and household goods including mobile phones, tablet computers and bikes for the children.
- 5.5 When our first families arrived, volunteers on Bute helped to sort out all of the donations and helped the families to choose appropriate clothing for both themselves and their children. A better cultural awareness would have helped and certainly initially everyone felt a bit overwhelmed. However very quickly the refugees were able to help out one another and for all subsequent arrivals we have asked the refugees to take on a lead role in sorting out donations and purchasing appropriate food ready to welcome new families.
- 5.6 For families arriving now our focus is on ensuring the house is adequately furnished, there is food in the fridge and that the children have suitable clothing and toys to play with. For those with young babies, prams, buggies, cots and nappies are provided.
- 5.7 The key issues we have had to respond to in relation to housing have been due to a lack of understanding of construction in Scotland versus the middle east, our floors are not concrete and nor do bathrooms have central drains and we have had a few issues with flooding in bathrooms. Families prefer to wash in running water and not all of our properties have showers. All families have been provided with accommodation which meets the needs of their family however some of those in tenement flats do say that they find the stairs difficult. Three of the families were housed on the edge of town in a community a mile and a half from the centre, these families complain about travel costs and the lack of public transport at night. Bus passes have been provided and transport costs are refunded by the DWP for those attending English class. School transport is also provided for those families and for all of our nursery school age children.

- 5.8 For those families who have indicated a preference to leave the island or to move to alternative accommodation in Rothesay we support the family with their housing application form, ensuring that we can maximise the number of points available to them. Managing expectations is sometimes a challenge here and an appreciation of timescales can sometimes lead to frustration. That said at time of writing two families are considering leaving the island and several others are looking for new accommodation on the island. The birth of new babies will in time mean that families may need to move to larger accommodation.
- 5.9 The average score for housing needs being met is 5.08, scores ranged from 1 given by those living on the outskirts of town to 7. However once these outlier scores are removed families scored their housing between 5 and 7. Support to fully understand the housing options available to the families reflected their satisfaction with their current housing, with those that are satisfied showing very little inclination to want to move and therefore giving a low score to any information if any they had been given. However conversely some families also felt they had been unable to access alternative housing options and in this instance have also given a low score. The average housing options score is 3.36 with a full range of scores being given.

## **6.0 Education**

- 6.1 All of the families are supported to learn English and for the adults attendance at class forms part of their claimant commitment by the Department of Work and Pensions (DWP). The VPR scheme requires a minimum of 60 hours English for Speakers of Other Languages (ESOL) provision for each adult refugee. ESOL has been delivered by the Council's Adult Learning Service, with CELTA qualified tutors teaching each class. It became apparent early on that in Syria men and women were taught separately and we have been able to provide separate classes for men and women. The refugees were assessed and we have a beginners, intermediate and advanced class. One to one support is given to those who have difficulties with literacy in their own language and are struggling to learn.
- 6.2 In addition to ESOL lessons our interpreter runs a class on English grammar, being an Arabic speaker means it is easier to explain the technicalities of the English language in Arabic, pronouns were a challenge. We also have a group of volunteers who support families with their language either tailoring this to a specific need, addressing isolation or helping with ESOL homework. One of our volunteers recently created and delivered "English for Driving" lessons to those who are looking to sit their UK driving test, which were very well received.
- 6.3 Managing expectations and keeping up motivation are the key challenges for those learning English. The ESOL programme is created to ensure that men and women are both given the opportunity to attend class, taking it in turn to look after children who aren't yet in school. However with numerous health appointments and other commitments attendance isn't always as high as it could be. This is often coupled with the frustrations of learning a new language

and the Adult Learning team regularly assess the learning needs and level of attainment and provision and class material is tailored accordingly. We have recently purchased licences for an online self-directed training course which once completed will take learner to SCQF level 4, those currently in the intermediate class have been offered this opportunity.

- 6.4 In the evaluation, support to achieve English language skills scored an average of 5.67, with scores ranging from 4 to 7. Low scores were attributed to a desire for more provision and a change in teaching method to a more formal style and high scores to the quality and breadth of the support on offer. All of the families interviewed stated their appreciation of the support that they have been given to learn English and are aware of the challenges that this has given everyone.
- 6.5 All school and preschool age children attend Rothesay Joint Campus. At time of writing there are 26 Syrian pupils at the school with 7 in the nursery, 19 in the primary and 6 in the secondary. The involvement of the school has very much been at the heart of the response and the support to the refugee families. Reflecting the school's role in the community and acknowledging that the decisions our families made to come to the UK were to afford their children a better life. Before arrival school pupils were very active in their preparations increasing their awareness and understanding of the situation in Syria, what it means to be a refugee and forced to leave your home and an understanding of Muslim and Arabic culture. School pupils also produced a short film reaching out and welcoming their new friends and this film has been shown to all of our families on arrival. In addition the head teacher, teaching staff and senior pupils have been an integral part of the support team meeting families at the airport and travelling with them over to Bute.
- 6.6 Additional resources have been put in place to support learning. These include additional staffing and I pads. All children have a Universal Child's Plan which identifies their support requirements, outlines targets and necessary actions. Educational Psychology have and will continue to provide additional support as and when required.
- 6.7 The scale of work undertaken to support pupils arriving with English as an Additional Language (EAL) has strengthened the overall provision at Rothesay Joint Campus. It has enabled the school to develop a focused strategy and to implement effective systematic processes to engage and support children and young people with EAL. Progress of all new pupils is continually monitored to ensure that each child is working to their full potential.
- 6.8 The education opportunities and support at Rothesay Joint Campus scored very highly in the evaluation with an average score of 6.33 and the lowest score of 4 given by those who felt that the Scottish teaching style in the primary was less formal than the Syrian style they were used to. 9 families scored the school support the highest possible score of 7.

- 6.9 The support given to families to consider and access further education opportunities was also evaluated. There is a direct correlation to the level of English so this measure was not relevant to all families. For several of the women who have arrived, their studies were abruptly brought to an end when they had to flee Syria. Several of these woman have spoken about picking up their education again now that they are in the UK. In addition one of our young people is trying to access college courses and or an advanced ESOL course on the mainland and is being supported to do so by Skills Development Scotland.
- 6.10 Argyll College have been working in partnership with the programme and provided a very successful Skills for Work programme on hairdressing and are looking at further courses that could be provided.
- 6.11 We are also working with colleagues in Education Scotland and Scottish Government to determine the Scottish equivalencies for Syrian qualifications so that we can offer the best support and advice.
- 6.12 Acknowledging that access to further education is not something that is relevant to all of our families scores ranged from 0 to 7, with the average being 4.5. Those that had been offered information were very appreciative of it. Those hoping to start college frustrated at the availability of places especially to study advanced ESOL.

## **7.0 Welfare and employability**

- 7.1 On arrival all of the families are supported to make benefits claims. Support is provided by the Job Centre and staff from Bute Advice Centre. The majority of families are on Job Seekers Allowance, with a small numbers receiving Employment and Support Allowance (ESA). Families also receive housing benefit, council tax benefit and family tax credits. For those that have been able to move from benefits into employment support is given to ensure the family receive the appropriate benefits. In addition to ensuring benefits are in place Bute Advice also provide support with budgeting and energy efficiency.
- 7.2 The families scored their support and understanding of benefits system and welfare support highly. The average score is 6.17 with scores ranging from 4 for a family with an ongoing issue with HMRC to 8 families giving a maximum score of 7.
- 7.3 Families were asked about their understanding and knowledge of the labour market and potential job opportunities for them on Bute. There is an obvious tie in to language skills here and this was highlighted by everyone. Interestingly there was a range of scores, with the average score being 3.7 and optimism from some that there would be job opportunities available but some also concerned that they would have to leave the island to find work.



- 7.4 Volunteering opportunities have been actively sought by everyone involved in the project. Three of the men took part in the project which created a community garden on a gap site in the town. Many of the men volunteered at this summer's Butefest and several have volunteered at a local charity. The benefits of volunteering are huge and the opportunities to do so relished by the families. Not only does this improve their English and support integration but it allows them to pay back the community that have welcomed and supported them. Volunteering scored an average of 5.67 with an acknowledgment that the opportunities that have been identified so far have not suited everyone and have been exclusively offered to the men.
- 7.5 One adult and two young people have been able to find employment on the island and their success has offered encouragement to others. One other individual has been supported to apply for jobs but to date hasn't been successful. Support is being provided by the Job Centre, Bute Advice and the support team. Moving forward, support to prepare CVs and to fill out job applications will be a priority. Employability support received a mixed score reflecting readiness to enter the job market, the average score was 5.0.
- 7.6 The skills for work programme delivered by Argyll College was very useful in raising the awareness of careers in hairdressing and beauty. One individual has just completed an extended period of work experience at a local business and work shadowing opportunities are being considered by others.
- 7.7 The effectiveness of the Argyll and Bute model received national recognition when the Home Office selected us to pilot their project to provide support for those who want to set up their own business. Demonstrating Argyll and Bute's strength in family business entrepreneurship, 6 of our families are taking part in this. Support is being provided to the families by Rebuilding Through Excellence, the Home Office's partner organisation and the Council's Business Gateway service and the families are developing business cases. Some ideas are better developed than others but all who have participated appreciated the benefits of the entrepreneurial training course delivered over three days and the follow up calls and meetings with their business advisors and Business Gateway. Business Gateway have also been able to bring in the support of other council services such as regulatory services and there is now a team working with the families.
- 7.8 Not all families have received this support and, all who have, are realising that the bureaucracy in the UK is greater than in Syria. Business cases are nearing completion and at time of writing are still to be assessed to see if they will support the business loans that have been requested. Issues such as availability of commercial premises and Sharia compliant finance are proving problematic. The average score for entrepreneurial support is 4.3 and for those participating in the programme the scores given were between 4 and 6.

## **8.0 Health**

- 8.1 The model of health care in the UK is very different to that experienced by our families in Syria, where private health care was prevalent. Whilst families were living in the countries surrounding Syria as refugees it was very difficult to access any health treatment. Developing an understanding and managing the expectations of the health service in the UK has been a key issue for health colleagues working with the Syrian families. This coupled with a need for an interpreter at all appointments has meant that responding to health needs has been both challenging, a steep learning curve and resource intensive.
- 8.2 To help inform families of the model of health care and the care pathways health colleagues held awareness sessions on Friday afternoons over a number of weeks on a huge range of topics. Sessions were led by the relevant health professional supported by an interpreter and plenty of time was allowed to ask questions. It is fair to say that some sessions were better attended than others but the families appreciated these sessions and this was fed back at the evaluation, with 6 families scoring this a 7. The average score was 5.58 and the range of scores given reflects the attendance at these sessions.
- 8.3 Many of the families were in poor health when they arrived with us. All members of the family were given a full medical assessment by the International Organisation of Migration prior to leaving for the UK and this information was shared with us and passed on in turn to the relevant health professionals. This allowed a degree of preparation to be made in advance. Many of the adult males smoke and nearly everyone arriving requires dental treatment and this coupled with injuries when incarcerated has meant that the families have received a significant amount of health care, both primary care delivered on island and secondary care the majority of which has been provided off island in the Greater Glasgow and Clyde area.
- 8.4 The families gave a mixed score to their health needs being met, the average score being 4.83, with waiting times and distance to travel being cited as reasons for lower scores. Support with medical appointments has become a large part of what the support workers do, though this is now lessening off as families receive treatment and early issues with the provision of interpreters at appointments have reduced with only the occasional problem now.

## **9.0 Integration into the community**

- 9.1 The community on Bute has been very welcoming and friendships have developed with the local indigenous community and the new Syrian families. Prior to the families' arrival local volunteers were able to register their support on the Council's website on the Argyll and Bute Welcomes Refugees webpage. The volunteers ran the "pop up" community centre which was used by the first two groups of families to come together and get to know one another and for the support team to meet with them. The community centre was also the venue for

many of the activities and social events held in the first few months of arrival including a Scottish Syrian disco, the Thank You lunch and other events.

- 9.2 Volunteers also helped escort families to hospital appointments off island until they were familiar with the public transport arrangements and a small group of volunteers have also supported the families to learn English. All of the volunteers help is very much appreciated by the families and is integral to the wider support provided. At its height the volunteer programme had around 60 volunteers supporting the families with three coordinators supporting them. Over the summer months there has been less volunteer activity reflecting the events and activities taking place on the island and acknowledging that the volunteers were giving their time for free and should get a break. Moving into the winter months once again the volunteer programme is being relaunched with both new and returning volunteers.
- 9.3 The families were asked to score how involved and active they felt they were in the community and this scored highly with 10 families scoring a 6 or a 7. There were a couple of low scores given highlighting problems with public transport at night for the families living on the edge of town. The average score given was 5.50
- 9.4 The families were asked to score how safe and welcoming the community was and this was scored 7 by every family interviewed with families saying how the island was their home and one lady saying she felt like she had been born on the island the welcome was so warm.
- 9.5 Families were finally asked to assess whether they have been able to engage in cultural and social activities which have helped them to integrate into the community and reflect the diversity of life in Scotland. The families have been able to participate in many activities since arriving from pantomimes, concerts and nativity plays at Christmas, to visits to local attractions, attending football matches, music festivals, parties, trips off island and meeting royalty. The families have also participated in craft classes, holiday activities for the children, access the facilities in the leisure centre and are regular users of the library. The families all agreed that they have been offered many opportunities and scored this highly, with the average score being 6.25 and scores ranging between 4 and 7.

## 10. Key issues

- 10.1 For our families and for all those supporting them there have been a number of key issues and learning points that we have picked up across the programme. A summary of "What went well?", "What could have been improved?" and "What we will do differently?" is provided in appendix 2 with information having been provided by partner agencies and volunteers. In addition the key issues are summarised below

- 10.2 Having to leave behind relatives in the Middle East has been a huge challenge for our families. Foreign travel is very difficult once families arrive in the UK and the cost of travel documents is high, in addition for all Schengen countries and the middle east an additional visa is required with no guarantee that it will be granted. Syrians tend to have large, close knit extended families living close to one another and often the extended group has fled from Syria together. We have been supporting families by submitting the details of relatives that are already registered with UNHCR to the Home Office with the hope that this will strengthen their case to be resettled in the UK. We have been successful in reuniting some extended families by bringing a further 3 families to Bute and have more applications pending a decision by UNHCR.
- 10.3 The Refugee Resettlement Group had agreed previously that preference should be given to resettle relatives as this makes it much easier to both support the families and to help them to integrate.
- 10.4 The attention of the media has been a significant intrusion into the programme and the lives of the families on Bute. The families became the “go to” refugees for every story affecting refugee resettlement in the UK and the photographs that were taken by the press when the families first arrived have been used across the world, often to the frustration and upset of the families who feared reprisal for friends and family at home as images could so easily be taken out of context. On balance the media attention has actually been more positive than negative but that does not mean that the headlines from some of the tabloid press have not been deeply hurtful causing upset within both the Syrian and local communities.
- 10.5 For the first group of families that arrived with us there was little to no cultural orientation provided on life in the UK, they weren’t told where they were being resettled to and it appears that any questions that were asked of officials in the Lebanon to the availability of services and support in the UK was answered in the affirmative, almost an expectation that the streets were paved with gold. This is clearly not the case and much of the support work delivered initially was to manage the expectations that the refugees had been led to believe, often through no fault of their own. This is now largely being addressed by mandatory cultural orientation classes being delivered before families travel and preparation of a simple and factual “Welcome to Rothesay” leaflet which families receive before they arrive. On arrival families are provided with a welcome pack with material translated into Arabic covering everything from the Scottish education system, to the law in Scotland, how to prevent fire in the home and much more.
- 10.6 The law in Scotland especially around families, child protection and domestic assault is different and even though this is not widely acceptable in Syria unfortunately a culture does still exist where children are sometimes physically disciplined and wives assaulted. When dealing with these issues we have to be mindful of the cultural background and the emotional trauma that the families have been subjected to. The support team have however ensured that they have explained the zero tolerance approach that we have in the UK and local

police and social work managers gave a very informative presentation to the families. Information has also been provided in the welcome packs and families participated in an event run by police, fire and ambulance demonstrating when and how to call the emergency services.

- 10.7 Some families have said that they have sometimes find it difficult to appreciate Scottish culture and likewise for the local community and support team an awareness of Arabic and Muslim culture. This takes time, should be handled sensitively and attendance at events organised through CoSLA and delivered by the International Organisation of Migration have helped. Short informative booklets were circulated on the islands before the first families arrived.
- 10.8 There are no mosques in Argyll and Bute and prior to the families arriving some members of the refugee resettlement group were able to visit Edinburgh Central Mosque and speak with the Imam there. The families are able to use the “pop up” community centre for Friday prayers and have organised themselves, with one of the group taking on the role of Imam. Families are also able to visit the Glasgow mosque combining this with shopping trips to the city. All of the families are Sunni Muslims though some are more secular than others and not all choose to pray in the community centre. Families have also been able to participate in the Muslim festivals of Ramadan and Eid al-adha and are encouraged to support and organise their own religious needs.
- 10.9 To date it has not been possible to source halal meat on the island. However local shops are now beginning to stock other Arabic food products including flat bread, a staple of the families’ diet. Families travel to Glasgow to stock up in food especially meat but do find it difficult to bring back the quantities they need to the island. There have been several solutions suggested to address this issue and several companies have offered to deliver meat over to the island, these opportunities have not yet been taken up by the families.
- 10.10 Although the adults struggle to learn English the children are becoming fluent very quickly. For parents this has created a new concern and that is how to maintain their children’s Arabic and ensure that they not only can speak it but can read and write. This is important to maintain their own cultural identity and to keep in touch with friends and family. This issue has only recently emerged and thoughts will be given over the next weeks and months on how best to support the families with this.
- 10.11 As the refugee resettlement programme has been going for a year it is important that we keep up the momentum but acknowledge that there is a commitment to support the families over the five years of the programme. We are continually reviewing and tweaking the model of care provided. Each family has their own personal integration plan which identifies their short term issues and the support needed to resolve these, their medium term aims and the skills that the families need to resolve these and their longer term ambitions which we hope they will be able to achieve without our help. We encourage the families to be as ambitious as possible, but also to problem solve for themselves. We must be

Careful with such a strong support model in place not to create dependency and we encourage independence wherever possible.

- 10.12 In August we recruited a support worker to work on the island coordinating all of the support and sharing the information and learning between all of the partner agencies. The two community interpreters report to the support worker and this ensures that there is an overview on all of the support provided and flexibility so that resource can be targeted and early intervention ensures that simple problems do not become a crisis.

## **11.0 CONCLUSION**

- 11.1 In conclusion the evaluation of the support provided to the families is detailed in Appendix 1 and the lessons learnt from the partner agencies in Appendix 2. When families first arrived it was important that each family received the same support as they constantly compared and contrasted themselves to one another. Moving forward we have adopted a person centred model of care and each families support requirements are different.
- 11.2 The success of the refugee programme on Bute should be built on and as needs change more partners and services brought in to work with families. The Bute model has caught the attention of other authorities and agencies working with refugees. We were one of only three Scottish authorities to be evaluated by UNHCR, have been visited by Education Scotland and are looking forward to a visit from the Finnish Education Evaluation Centre who have been told about the successes at Rothesay Joint Campus.
- 11.3 The next challenge is to take the learning from this model of care and consider how we support all of our vulnerable people in Argyll and Bute and services working on the island have already started to do this.
- 11.4 Over the next few months we hope to resettle more families bringing in relatives and creating a strong and resilient Syrian community embedded in the local community. We hope that in time businesses will open and refugees will move into employment benefiting the whole economy. Whilst not everyone in the community has been involved in welcoming the new families, the strength of the islands response when two families were recently exploited by one of the tabloid papers was very heartening and the refugees themselves feel very welcomed by the community.
- 11.5 The strength of partnership working in Argyll and Bute has been integral to the success of this programme which would never have achieved what it has without the community on Bute and the commitment of the Syrian families to rebuild their lives on the island.

## **12.0 IMPLICATIONS**

- 12.1 Policy – No implications

- 12.2 Financial – Overall budget is circa £680k based on the current number of families and the budget is fully committed with a contingency in place to deal with unexpected costs
- 12.3 Legal – No implications
- 12.4 HR – A number of posts have been created on a temporary basis to support the refugee programme and funded by the Home Office grant
- 12.5 Equalities – No implications
- 12.6 Risk – No implications
- 12.7 Customer Service – Translating material into Arabic has been an important consideration to ensure refugees can access information and use local services.

Appendix 1 Evaluation interview scores

Appendix 2 Lessons Learnt report

**Cleland Sneddon**  
**Chief Executive**

**Cllr Dick Walsh**  
**Council Leader**

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31 October 2016

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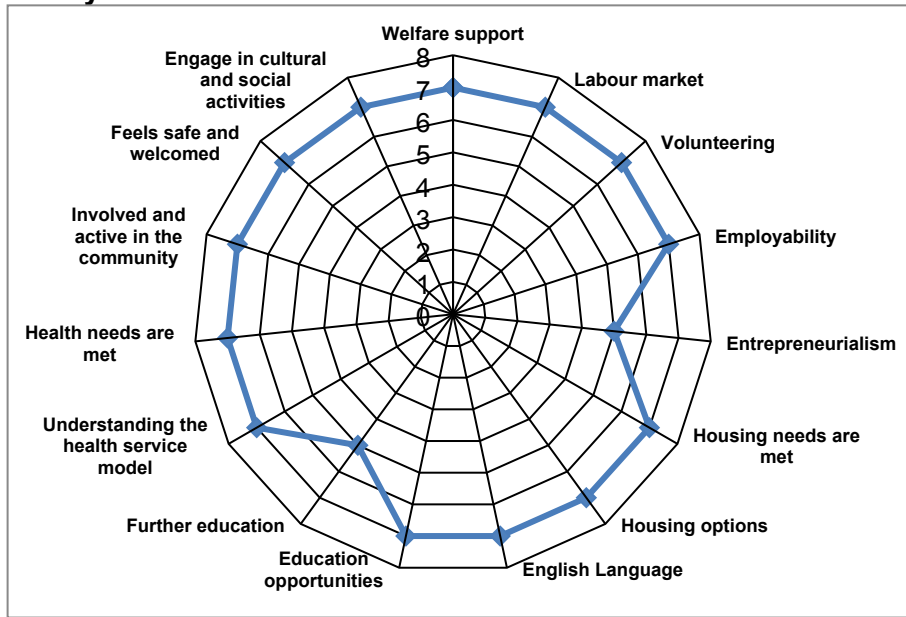
## Appendix 1 – Summary of refugee evaluation scores

The Syrian families who arrived in phase 1 (December arrival) and 2 (February arrival) were invited to participate in the evaluation process. 13 families in total agreed to be interviewed, with 2 declining the opportunity. Families either participated as a family group with their children, as the head of house alone or in one case 2 families were interviewed together. Summary scores are shown below for each family who were asked to score the support that they had received from day 1 from all agencies and volunteers. The lowest score awardable was 1 and the highest score was 7, though some families did opt to score 0 for something they felt was not relevant to them or their family. The questions asked are based on the indicator set in the Scottish Government's New Scots: Integrating Refugees in Scotland's Communities 2014-2017 Strategy. Interviews were held over two days on the 7<sup>th</sup> and 12<sup>th</sup> October 2016 and the support team carried out the interviews with translation provided by the community interpreters.

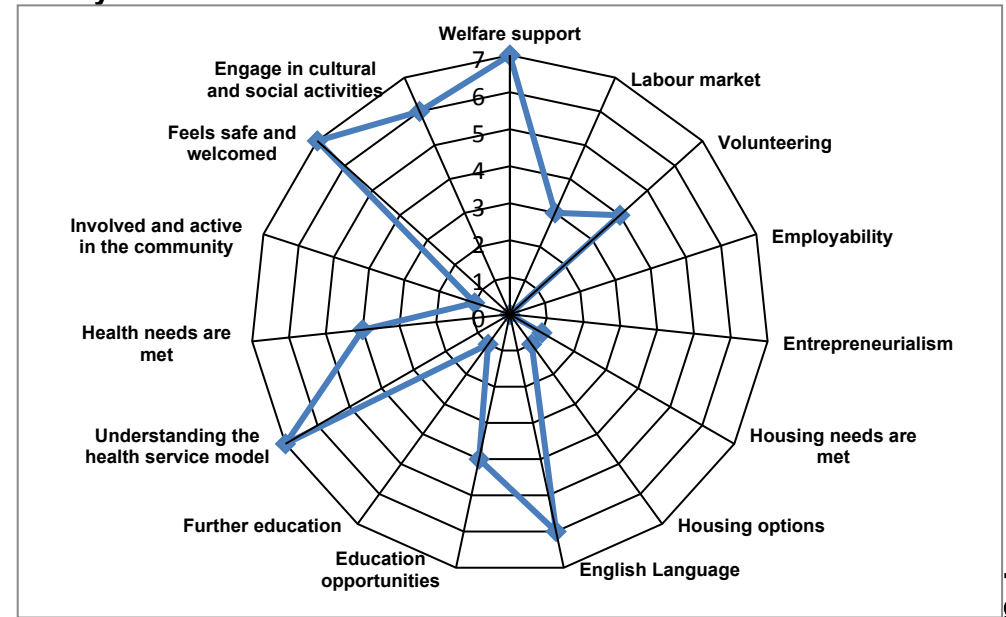
The questions asked were:

1. Do you feel that you have been fully supported to understand your rights to welfare support and the benefits that you receive?
2. Do you feel that you have been supported to gain an awareness of the labour market and local job opportunities?
3. Do you feel that you have been made aware of and supported to participate in volunteering opportunities should you wish to?
4. Do you feel you have been supported to access the labour market or have an awareness of the support that is available for this locally?
5. Do you feel that you have had the opportunity to develop entrepreneurial skills and set up business in Scotland?
6. Do you feel that your family's housing needs have been met?
7. Do you feel that you have been supported to develop an understanding of the housing options that are available to your family in the UK?
8. Do the adults in your family feel that you have been given the opportunity to learn English?
9. Do you feel that the children in your family have been given the opportunity to and are supported to learn at school and to reach their potential?
10. Do you feel that you have been supported to or have an understanding of how your pre-existing qualifications and or knowledge and experience can help you to access further education in the UK?
11. Have you been supported to develop an understanding of the model of health care in Scotland?
12. Do you feel that your health needs have been met?
13. Do you feel that you are involved and active in the community?
14. Do you feel that the community is safe and welcoming?
15. Do you feel that you are able to engage in social and cultural activities which reflects the diversity of Scotland?

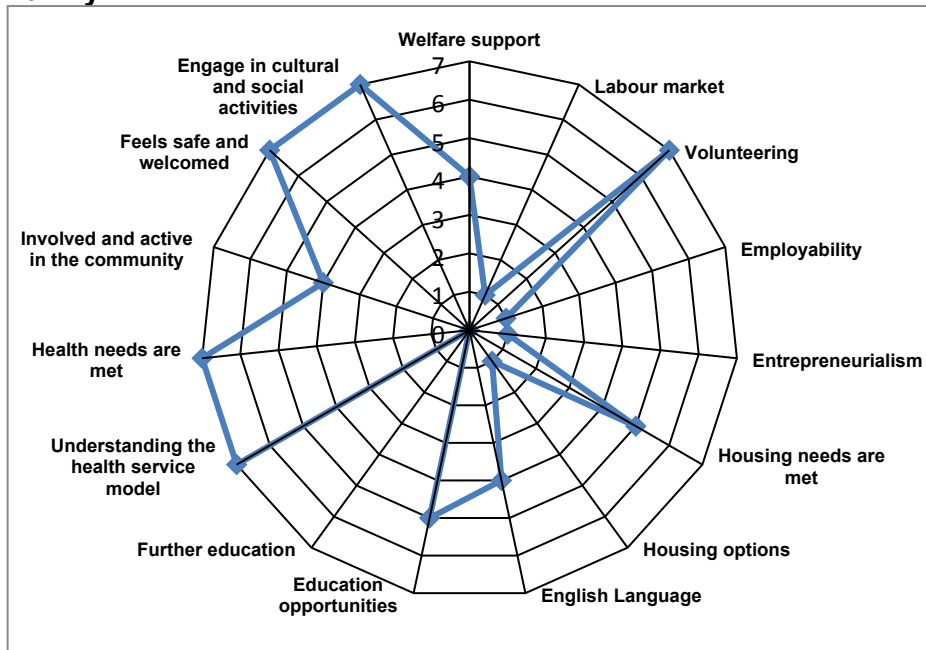
### Family A



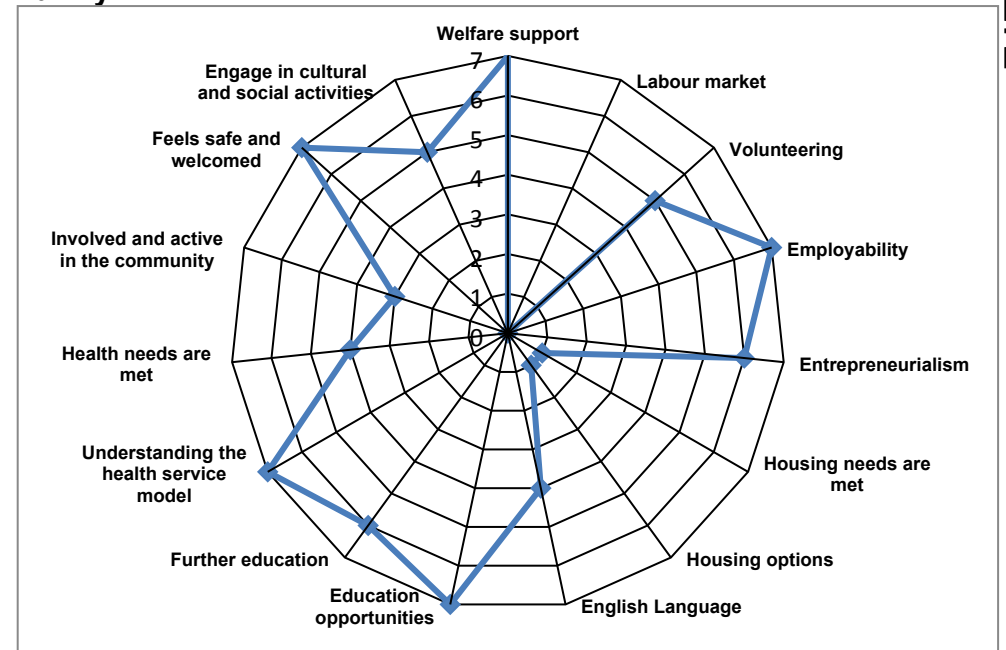
### Family B



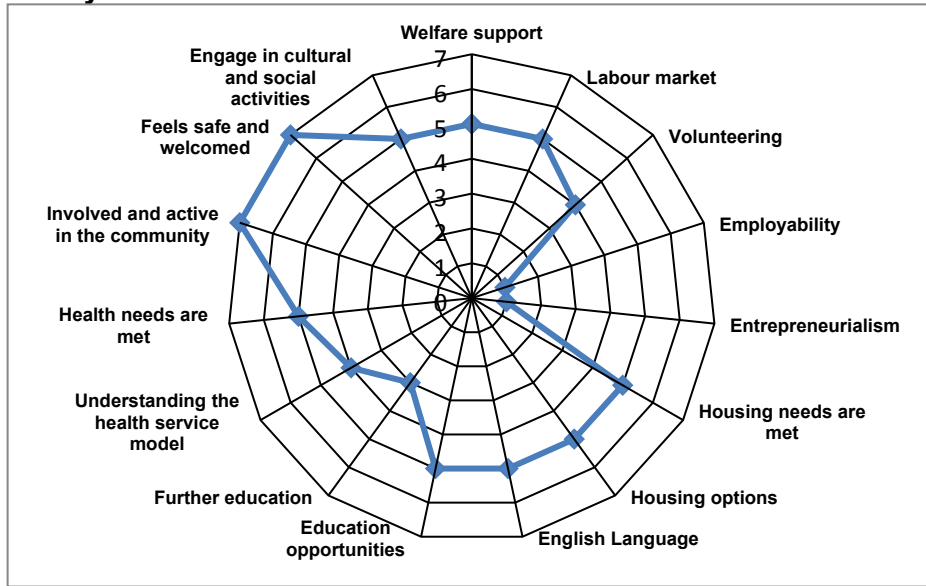
### Family C



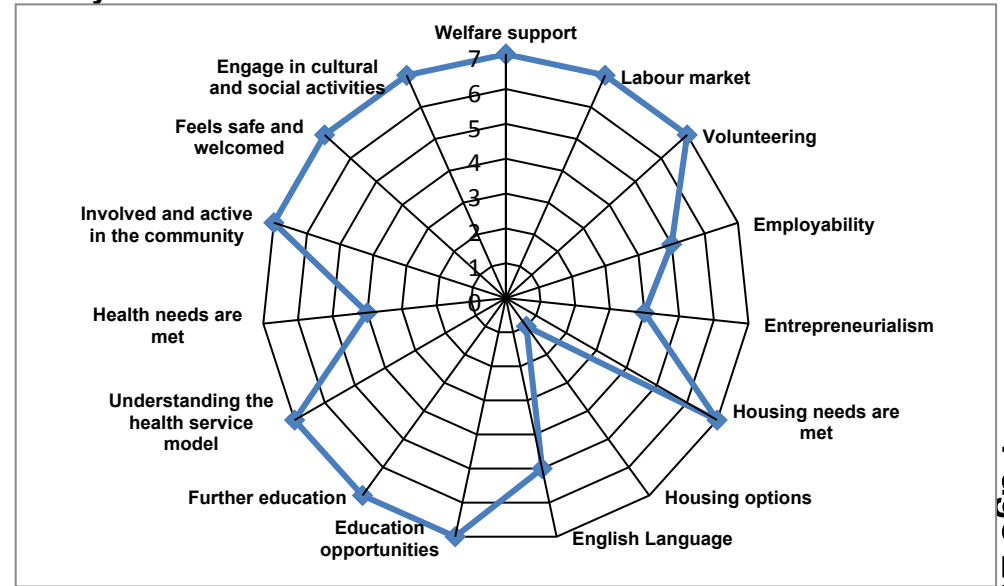
### Family D



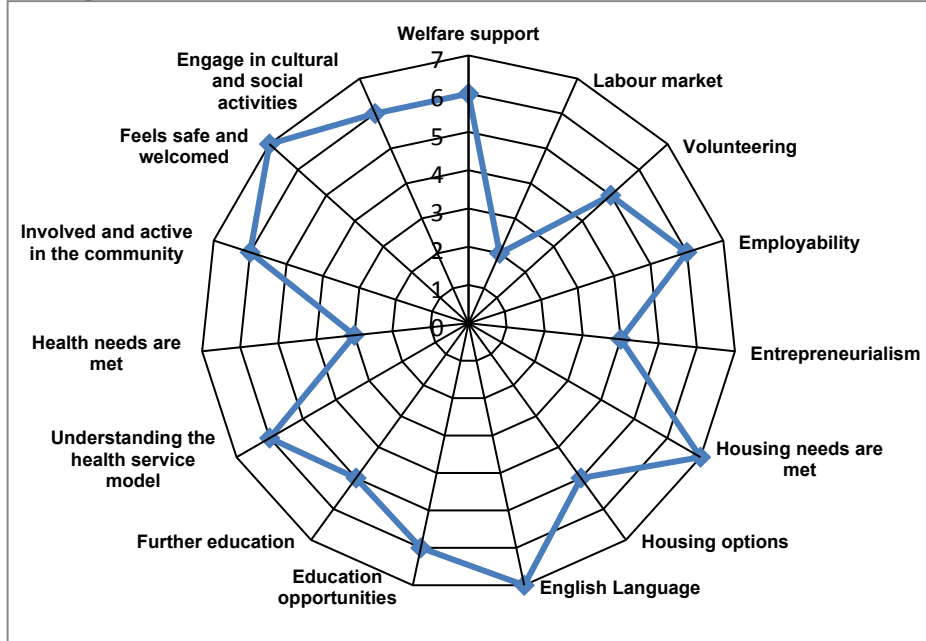
### Family E



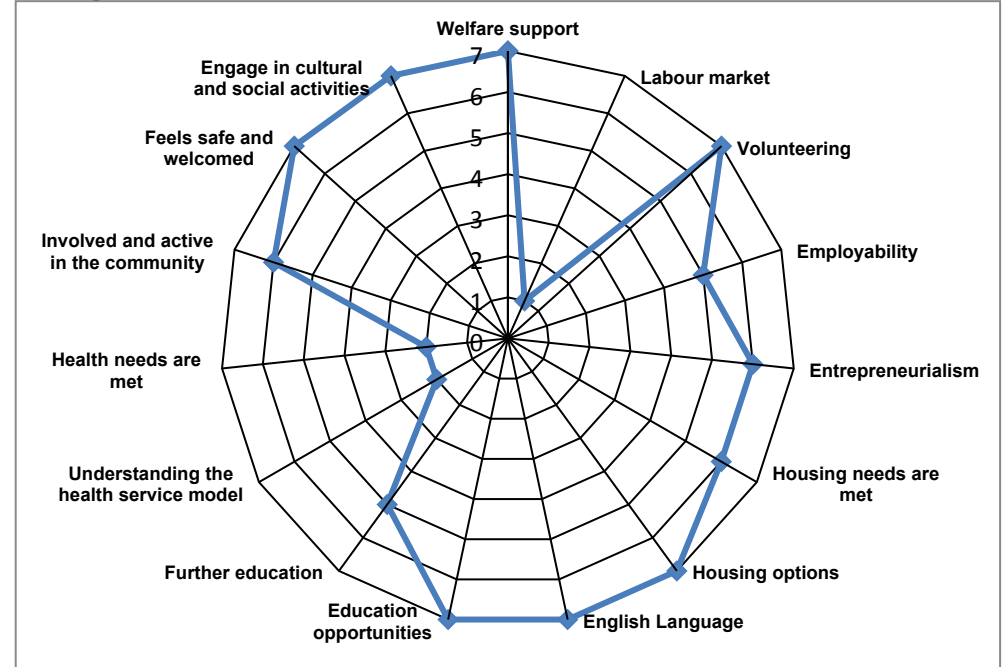
### Family F



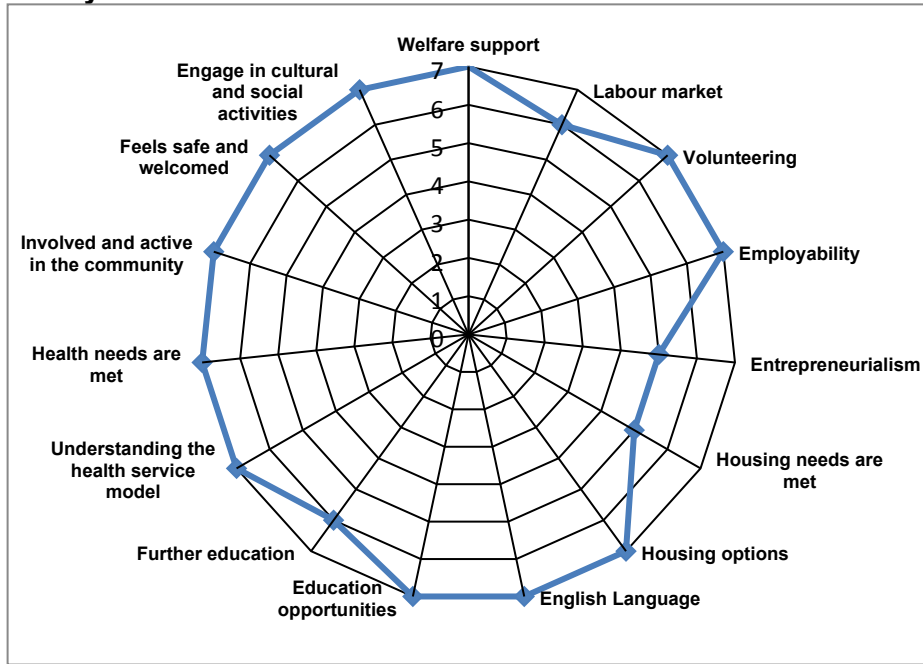
### Family G



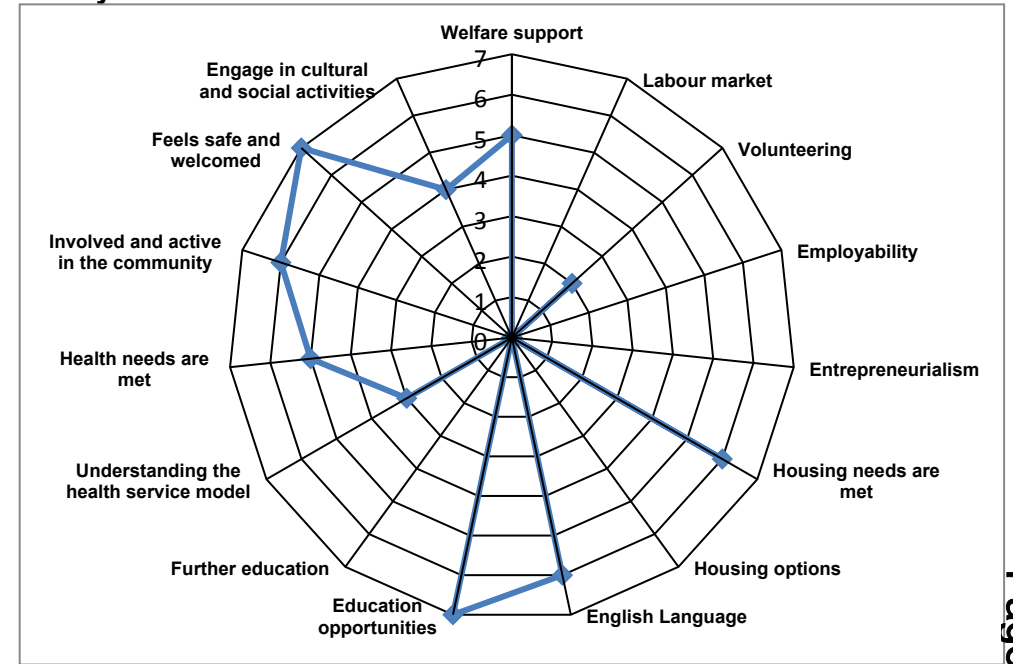
### Family H



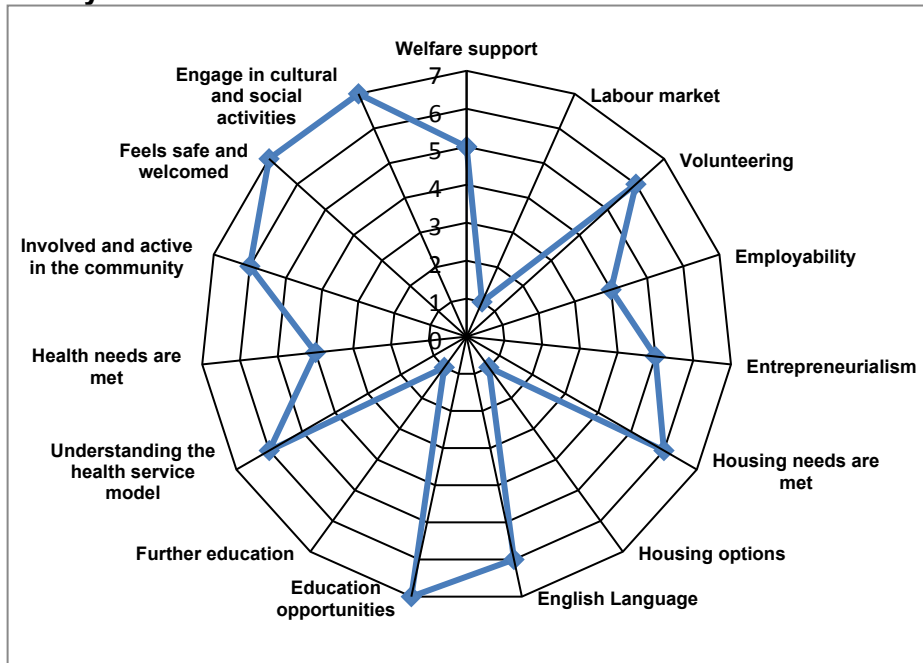
### Family I&J



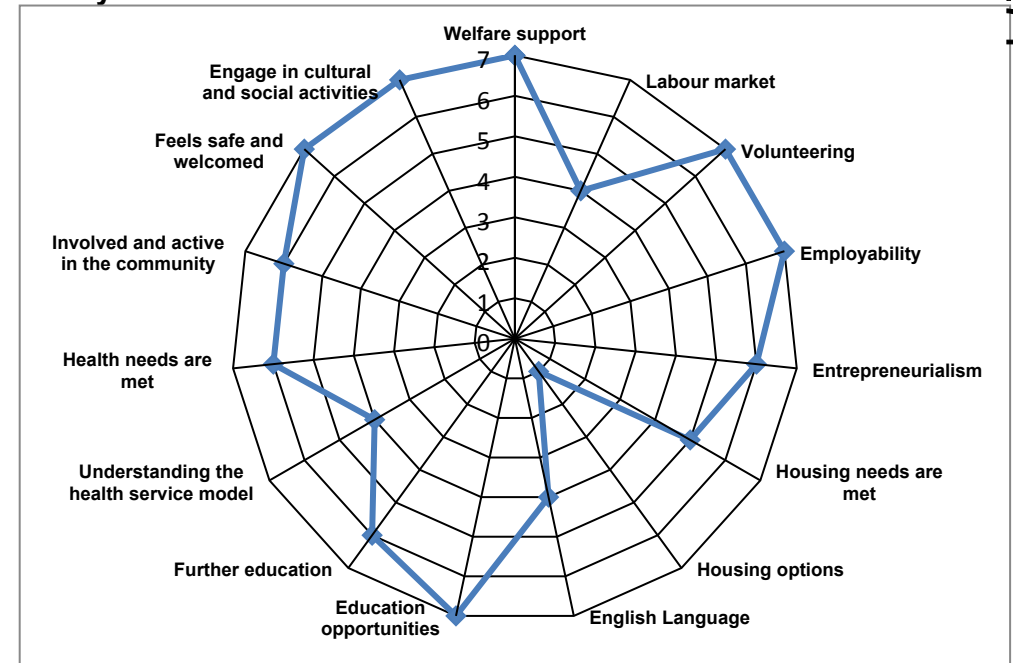
### Family K



### Family L

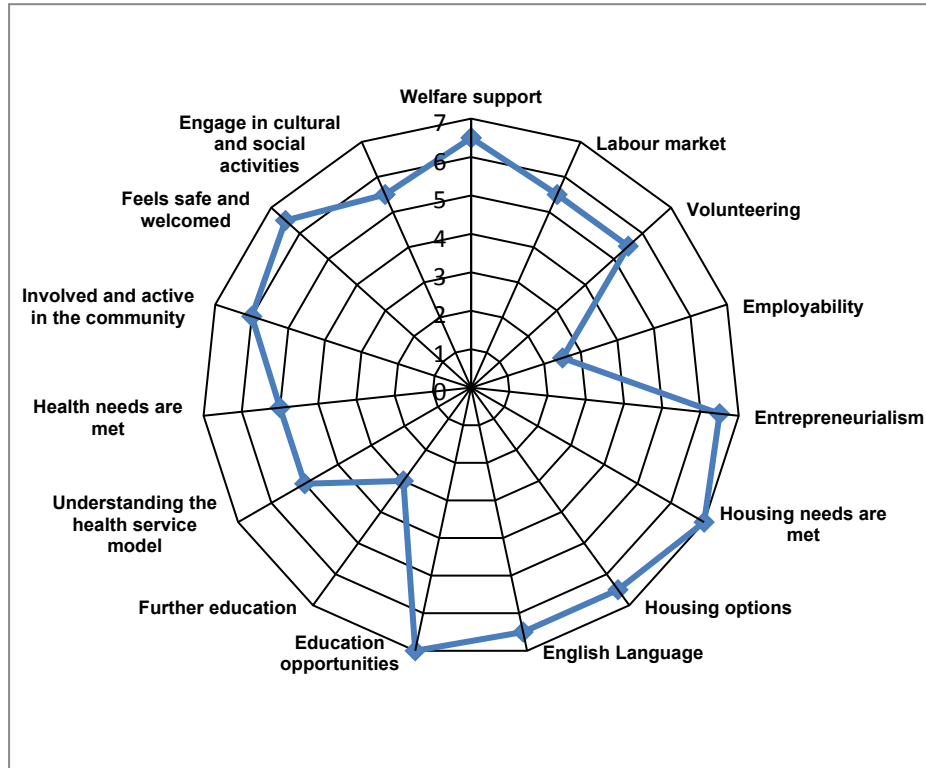


### Family M



The Refugee Resettlement Group also carried out a self-evaluation of the support that had been provided to date, not all partners were able to participate however this provides a helpful comparator to the families' own scores.

### Refugee Resettlement Group



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Appendix 2 – Lessons Learnt

Members of the Refugee Resettlement Group and the volunteers were asked to reflect on the planning, preparation and support that they have provided to the refugees and in particular to consider What went well?, What could have been improved? and What will we do differently in the future?

What went well?	What could have been improved?	What will we do differently?
<b>Refugee Resettlement Group</b>		
<ul style="list-style-type: none"> <li>• The work that has been done has showed partnership at its best. The commitment given to help so many vulnerable people is a testimony to the humanitarian work of all partners.</li> <li>• Forward planning and resettlement meetings that occurred both before and after the arrival of the families were invaluable and that these meetings helped to identify, address and escalate issues that arose and helped to prevent potential issues from arising as all agencies were aware and worked together.</li> <li>• Strong and committed leadership, supported by Chief Executive and Elected Members</li> <li>• Strong relationship between the families and those that support them.</li> <li>• Ongoing learning for all involved and continually reviewing support provided.</li> <li>• The weekly schedule of appointments keeps everyone informed of ESOL classes and appointment at BAC, alongside medical appointments etc.</li> <li>• Shared community strategy in place that everyone understood and put into action.</li> <li>• Preparing social media guides and</li> </ul>	<ul style="list-style-type: none"> <li>• Progress should not be measured against our own cultural expectations. It is important to remember that these are all individual people and that we should look at what progress has been made and not become frustrated at how much is still required. This is key to promote positivity between each agency as negativity can be very contagious and can easily spread having a negative impact on the project.</li> <li>• Accommodating last minute changes to the weekly schedule.</li> </ul>	<ul style="list-style-type: none"> <li>• Frequency of and representation at meetings could decline as programme progresses.</li> <li>• Identify no more than two key stakeholders per organisation and instructions are routed through them.</li> <li>• Listen to how the Syrian families feel about key subjects and do not assume that we know what is best. We need to be flexible in our way of working.</li> <li>• The Syrian families wish to integrate into the community while retaining their own culture and the support provided has to be sympathetic to their culture.</li> <li>• To remember the massive journey that each individual has had to undergo to arrive here and to be mindful that each individual is still dealing with stresses and issues related to leaving behind their home country, family and friends and that this could make it hard for them to feel settled and to attend services offered.</li> <li>• It's a natural urge to want to fix a problem when it is presented to you however it is essential to support families to solve issues themselves where possible to encourage ownership to promote independence.</li> </ul>

<p>communications advice for the refugees.</p> <ul style="list-style-type: none"> <li>• Joined up communication was key in dealing with media constructively and confidently – reducing media interaction and therefore intrusion into our refugees’ lives depended on everyone from the council and partner agencies, to the volunteers and wider community.</li> <li>• Remain focused on what benefits the refugees – we could have accepted interview opportunities that would have benefited the council/community groups/Bute by showcasing our work positively, but this would have contradicted the ‘low profile’ communications strategy agreed to support the refugees who wanted no profile.</li> <li>• The Welcome Pack translated into Arabic in each house on arrival.</li> <li>• The ‘999 Day’ with Scottish Fire and Rescue Service, Police Scotland and Scottish Ambulance Service was an excellent event which allowed information to be shared with the families on the process of calling each service in an emergency.</li> <li>• Employing Arabic interpreters rather than relying on agency workers. Having a choice of interpreters to match personality and skills means that support can be tailored to need.</li> <li>• Preparation plans for meeting families at the airport and bringing them safely to their new homes were meticulously planned and able to accommodate last minute changes due to</li> </ul>		<ul style="list-style-type: none"> <li>• It is important that professional officers and agencies understand the frustrations faced by the families and that we do not take anything personally. The agencies involved are on a learning curve and by sharing information from other local authorities and through meetings such as COSLA this helps to give workers a broader awareness of issues.</li> <li>• Many lessons have been learnt by staff working with the existing families, this has meant that the new families are benefitting from advisers who have been through the process.</li> <li>• Relationships do build up over time, however to ensure relationships remain professional, it is healthy to change the advisers around, giving families and advisers a fresh face to work with.</li> </ul>
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poor weather and potential ferry disruptions.		
<b>Volunteers</b>		
<ul style="list-style-type: none"> <li>• Management of inaugural meetings with volunteers, including dissemination of information; briefing and guidance re press; making use of a wide range of local people: their ideas, skills and experience.</li> <li>• System of ID cards for volunteers</li> <li>• Sorting and distribution of donated clothing, toys and household items.</li> <li>• Staffing and organisation of St Andrew’s hall during the first phase.</li> <li>• Regular liaison with interpreters to act as a link between volunteers and families. This has evolved over time - understandably, interpreters were less accessible to volunteers in the early phases.</li> <li>• The recent appointment of refugee support worker is already making a difference in terms of organisation and liaison.</li> <li>• The Bute Welcomes Refugees Facebook page</li> </ul>	<ul style="list-style-type: none"> <li>• So many individuals from the public had watched the atrocities on television that these families had experienced and had a tremendous desire to offer their time to help but possibly did not have the correct knowledge/ training to carry this out</li> <li>• Better information sharing between the Refugee Resettlement Group and the volunteers.</li> <li>• The significant interest from press and film makers.</li> <li>• Advance training of and protocol for volunteers (already in hand)</li> <li>• It was helpful when the ministers of religion were involved at the early stage, providing a male presence to relate to the men. It’s a pity that once their input was over, there have been so few men involved as volunteers.</li> <li>• Improve sharing of information about other commitments, local events and trips.</li> <li>• Accommodation for meetings or events is sometimes difficult.</li> </ul>	<ul style="list-style-type: none"> <li>• Relaunch the volunteer programme to help with integration with a more diverse group of volunteers to include a range of age groups and male as well as female.</li> <li>• Provide ongoing training that reflects the needs of volunteers and families.</li> <li>• Regular volunteer meetings to discuss progress, issues arising and future plans.</li> <li>• Make contact with volunteer groups in other parts of Scotland to share ideas.</li> </ul>
<b>Housing</b>		
<ul style="list-style-type: none"> <li>• A huge enthusiasm from the stakeholders involved to deliver the project and meet the Syrian families’ needs.</li> <li>• Identifying appropriate housing and making it ready for the families.</li> <li>• The hands-on work of council staff, housing</li> </ul>	<ul style="list-style-type: none"> <li>• The cultural needs of the families regarding a preference for showers were not taken into consideration.</li> <li>• Resettling families on the edge of town when public transport stops early in the evening has led some families feeling more isolated</li> </ul>	

<p>agencies and support workers to meet and settle the families.</p> <ul style="list-style-type: none"> <li>• Prior to the arrival of the families, Scottish Fire and Rescue Service were able to liaise with the housing providers and provide home fire safety advice during a site visit to each of the homes.</li> <li>• Support workers have liaised successfully with landlords to deal with housing issues.</li> <li>• Families have benefited from energy advice, changing tariffs, setting up direct debits and getting the best deal.</li> </ul>	<p>than those in the town centre.</p>	
<b>Education</b>		
<ul style="list-style-type: none"> <li>• Ability and flexibility of ESOL provision by qualified and experienced ESOL teachers have allowed us to run beginners, intermediate and advanced classes for men and women and one to one provision for those with literacy difficulties.</li> <li>• The Rothesay Library staff have been very helpful, both in welcoming Syrian families, ordering in bilingual children's books and acting as a 'post box' for materials for volunteers to collect.</li> <li>• Volunteers English teachers have been able to focus on what the families identify as being important to them e.g. their desire to gain employment, start businesses, or be more involved in the community and are able to tailor the language support provided to attempt to meet those needs (the recent sessions on driving vocabulary are an example of this).</li> </ul>	<ul style="list-style-type: none"> <li>• Improve sharing between adult learning and volunteers on the refugee's progress in their ESOL classes.</li> <li>• Sharing information on planned activities with volunteer English teachers to ensure there time is not wasted.</li> <li>• Very early assessment, both formal and informal, would have led to better understanding of levels of English for the adults on arrival. Initial personality and other clashes within the group made for a slightly surprising challenge, and we quickly found it necessary to be flexible around attendance; this has now largely settled.</li> <li>• Availability of college courses for those whose English is not yet fluent.</li> </ul>	<ul style="list-style-type: none"> <li>• Attempt to provide routine and structure as continuity is a key factor in language development, particularly for those who are struggling to learn English.</li> <li>• Find a meeting venue (perhaps smaller and cosier than St Andrew's) to be used as a drop in centre, maybe only on one or 2 occasions in the week – to enhance language practice for those receiving 1 to 1 support while also ensuring that others do not feel 'left out' or isolated.</li> <li>• Assumptions around learning styles should be checked with the adults themselves. British experience of how adults best learn a second language can be challenged by those coming from a very different learning culture. Formal teaching with text books has now been provided at the request of the (more advanced) participants.</li> </ul>

<ul style="list-style-type: none"> <li>• Bute Tiddlers have warmly welcomed Syrian mums.</li> <li>• Rothesay playgroup able to provide support for a family requiring childcare.</li> <li>• School enrolment out of hours has worked very well allowing the families time to tour the school and meet the staff team</li> <li>• Preparations and ongoing support in the school, regular review meetings for Universal Children’s Plan with pupils and their parents</li> <li>• Good communication with school, support team, interpreters, parents and pupils</li> </ul>		
<b>Welfare</b>		
<ul style="list-style-type: none"> <li>• Maximising the income of the families has gone very well. Ensuring that all benefits are in place, responding to changes in circumstances.</li> <li>• Alongside the basic benefits, advisers have fast tracked ESA claims, Scottish Welfare Fund applications, Warm Home Discounts and Healthy Start Vouchers.</li> </ul>	<ul style="list-style-type: none"> <li>• For each group of arrivals when benefits are first claimed there have been delays by the job centre in processing claims. The fast track does not seem to work.</li> </ul>	
<b>Employability</b>		
<ul style="list-style-type: none"> <li>• Families have been supported to access volunteering/integration opportunities including: Rock the Prom, Healthy Eating on a Budget, Bute Produce, Bute Fest, Gardens on Montague St, Oasis.</li> <li>• Three individuals were successful in securing employment at Mount Stuart.</li> <li>• Helping families’ access provisional driving licences and information on UK driving test.</li> <li>• Supporting families with employment rights</li> </ul>		<ul style="list-style-type: none"> <li>• Letting the families know about the employment opportunities on the island through a career / job fair or similar</li> </ul>

<p>and responsibilities.</p> <ul style="list-style-type: none"> <li>• Employment opportunities and work experience have also been explored.</li> </ul>		
<b>Entrepreneurialism</b>		
<ul style="list-style-type: none"> <li>• The prior knowledge of the refugees in running a business in Syria and their commitment to start businesses in the UK</li> <li>• The initial training delivered by RTE (Rebuilding Through Excellence – Home Office partner provider) covered relevant topics quite well.</li> <li>• Availability of Business Gateway staff to hold one-to-one meetings with individuals and offer ongoing support.</li> <li>• Business Gateway staff able to arrange meetings locally with council officers/local business people and able to broker introductions.</li> <li>• The support of Business Gateway staff in supporting the creation of the business plans.</li> </ul>	<ul style="list-style-type: none"> <li>• The support designed by RTE of a three-day programme delivered over three consecutive days did not allow time for reflection, absorption or learning of the topics.</li> <li>• RTE’s lack of knowledge of the Scottish business landscape and regulations and lack of knowledge of rural Scotland.</li> <li>• RTE’s telephone coaching sessions.</li> <li>• Lack of available/affordable commercial premises on Bute to enable those who want to start businesses to do so. It is crucial for those who want to start businesses and create employment that commercial premises are available.</li> <li>• Unwillingness of SULCO to agree loans in principle which lengthens the process meaning refugees are losing potential premises.</li> <li>• The frustration the refugees are understandably feeling at the lack of available premises and the slow progress being made.</li> <li>• Lack of access to Sharia finance in Scotland, i.e. having to negotiate through RTE &amp; SULCO in England.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver tailored start up workshop over a longer period, e.g. four sessions at weekly intervals allowing for reflection and research.</li> <li>• Schedule in one to one sessions as and when relevant.</li> <li>• Schedule in sessions with relevant council officers e.g. environmental health, trading standards, planning etc.</li> <li>• Ensure availability of Sharia finance from a Scottish provider who can meet with, and talk to, the refugees face to face</li> </ul>
<b>Health</b>		
<ul style="list-style-type: none"> <li>• Volunteers helping escort families to hospitals and other appointments.</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of dental care on the Island coupled with families requiring significant dental</li> </ul>	

<ul style="list-style-type: none"> <li>• Support workers have liaised successfully with NHS regarding medical appointments.</li> <li>• Sessions by health professionals in St Andrews Hall.</li> <li>• The midwives care and support.</li> </ul>	<p>treatment whether due to the effects of torture or prolonged periods without being able to access treatment.</p> <ul style="list-style-type: none"> <li>• The process for arranging volunteers to accompany families to initial medical appointments off island could have been simpler.</li> <li>• Initial difficulties with NHS ensuring that translators are available for appointments as some of the families have been left very frustrated after attending appointments on the mainland with no translator available.</li> </ul>	
<b>Integration</b>		
<ul style="list-style-type: none"> <li>• Contributions from local organisations such as the dance school doing a display and the Syrian men memorably reconnecting to their traditional dance.</li> <li>• The ‘thank you’ lunch cooked by the Syrians</li> <li>• Reception at the mosque</li> <li>• The welcome in St Andrews Hall when the families arrived</li> <li>• Bringing senior pupils from Rothesay Academy to the airport to meet families ensured that the school at its pupils were at the heart of the community welcome.</li> <li>• The joint welcome message from the churches in the hall and in the Buteman.</li> </ul>	<ul style="list-style-type: none"> <li>• Negative headlines in the press caused upset in the community.</li> </ul>	<ul style="list-style-type: none"> <li>• More cultural awareness sessions for the volunteers and the Syrians alike.</li> <li>• Seminars for raising awareness about the role of women in the British society, and stressing the fact that women can be leaders, work and be independent.</li> <li>• Organise a conference or open day involving all the current agencies, families and volunteers and keeping places for other members of the community. This could also help with future employment opportunities.</li> </ul>

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**Decision of the Hearing Panel of the Standards Commission for Scotland following the Hearing held in Council Headquarters, Kilmory, Lochgilphead on 20 September 2016 and in Lothian Chambers, Edinburgh on 19 October 2016.**

**Panel Members:** Mr Ian Gordon, OBE, QPM, LL.B (Hons), Chair of the Hearing Panel  
Mrs Lindsey Gallanders  
Mr Matt Smith, OBE

The Hearing arose in respect of a Report by Mr Bill Thomson, the Commissioner for Ethical Standards in Public Life in Scotland (“the CESPLS”) further to complaint reference LA/AB/1758, (“the complaint”) concerning an alleged contravention of the Councillors’ Code of Conduct (“the Code”) by Councillor Michael Breslin (“the Respondent”).

The CESPLS was represented by Mr David Sillars, Senior Investigating Officer. The Respondent was represented on 20 September 2016 by Mr Eric Scott, solicitor. The Respondent represented himself on the second day of the Hearing.

**COMPLAINT**

A complaint was received by the CESPLS about the alleged conduct of the Respondent. Following an investigation, the CESPLS referred the complaint to the Standards Commission for Scotland.

The substance of the allegation was that the Respondent had contravened the Councillors’ Code of Conduct and, in particular, the provision that obliged councillors to respect Council Employees, to treat them with courtesy at all times and to avoid publicly criticising them; and also the provisions which indicate that Councillors and Officers should work within an environment of mutual trust and respect and avoiding public criticism respectively. Essentially the complaint alleged that the Respondent behaved in a disrespectful manner towards officers in correspondence.

The CESPLS investigated the complaint and concluded that the Respondent had breached paragraph 3.3, and paragraphs 2 and 20 of Annex C of the Code of Conduct.

The relevant provisions were:

*Relationship with Council Employees (including those employed by contractors providing services to the Council)*

*3.3 You must respect all Council employees and the role they play, and treat them with courtesy at all times. It is expected that employees will show the same consideration in return.*

**ANNEX C: PROTOCOL FOR RELATIONS BETWEEN COUNCILLORS AND EMPLOYEES IN SCOTTISH COUNCILS**

***Principles***

*2. Councillors and employees should work in an atmosphere of mutual trust and respect, with neither party seeking to take unfair advantage of their position.*

**Public comment**

*20. Councillors should not raise matters relating to the conduct or capability of employees in public. Employees must accord to councillors the respect and courtesy due to them in their various roles. There are provisions in the Code of Conduct for Employees about speaking in public and employees should observe them.*

The CESPLS submitted a report to the Standards Commission on 20 June 2016 in accordance with section 14(2) of the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended.

**Evidence Presented at the Hearing**

The Hearing Panel heard that the Respondent had engaged in correspondence with officers of Argyll & Bute Council in respect of the service provision in relation to three discreet matters, being the disposal of Castle Toward, the terms and conditions of contracted care workers and operational practices at Rothesay Harbour.

It was agreed by both parties at a pre-Hearing meeting held on 18 August 2016 that there was no requirement to call any witnesses in respect of whether or not there had been a breach of the Councillors' Code of Conduct. This was because there was no dispute between the parties about the content of the correspondence in question, or that it had been sent by the Respondent. What was in dispute was whether the Respondent, in sending the correspondence, had breached the Councillors' Code of Conduct and, in particular, the provision that obliged councillors to respect Council Employees, to treat them with courtesy at all times and to avoid publicly criticising them; and also the provision which indicates that Councillors and Officers should work within an environment of mutual trust and respect.

The correspondence consisted of:

1. An email from the Respondent to the Council's Head of Governance on 29 December 2014;
2. An email from the Respondent to all Argyll & Bute councillors of 5 February 2015 relating to the proposal to purchase Castle Toward by the South Cowal Community Development Company;
3. An email from the Respondent to the Council's Executive Director of Community Services of 25 February 2015 relating to the terms and conditions of contracted care workers employed by external contractors;
4. Emails between 25 August and 4 October 2014 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to a disagreement over the circulation of emails concerning Rothesay Harbour to third parties;
5. Emails of 2 December 2014 and 11 January 2015 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to the issue of safety equipment issued to staff working at Rothesay Harbour; and



6. An email of 25 February 2015 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to previous emails concerning operational issues at Rothesay Harbour.

The Hearing Panel noted at the outset of the Hearing that the parties had agreed at the pre-Hearing meeting that they would make submissions on the circumstances in which the correspondence was sent and whether the Respondent had breached the Councillors' Code of Conduct, along with submissions on whether the comments made by the Respondent in the correspondence in question fell within the parameters of 'political expression' allowed in terms of the enhanced protection provided to politicians under Article 10 of the European Convention for Human Rights (ECHR).

The Hearing Panel further noted that it had been agreed that the Hearing Panel would then adjourn and consider the submissions made, together with the documentary evidence presented, and decide if it had sufficient information to determine whether any breaches of the Councillors' Code of Conduct had been established. If the Hearing Panel determined that it did not have sufficient information, it would advise the parties as to the matters which required clarification and invite them to identify any witnesses who might be called to assist that clarification.

The Hearing Panel confirmed that if it considered the Respondent, in sending the correspondence, had breached the Councillors' Code of Conduct, it would then proceed to consider whether his comments fell within the parameters of 'political expression' allowed in terms of the enhanced protection provided to politicians under Article 10 of the ECHR and/or whether any limitation in respect of the public interest in protecting public servants from unwarranted criticism applied.

### **Submissions made by the CESPLS's Representative**

The CESPLS's representative outlined the facts as set out in the CESPLS's Report. In particular, he explained that in his email to the Council's Head of Governance on 29 December 2014, the Respondent expressed concern about an incident at a meeting on 26 June 2014 where an amendment he proposed to a motion on the disposal of Castle Toward had been deemed incompetent by the Head of Governance. The Respondent stated in his email 'I should perhaps make clear now that your response will be made public'.

The CESPLS's representative advised that the Respondent's email of 29 December 2014 had been published on a local website, 'ForArgyll'. The Respondent had confirmed he had not forwarded his email to the publishers of the website. However, he confirmed in an email to the Head of Governance of 15 January 2015 that a 'number of people' had been given a copy of his email of 29 December 2014 and 'any of them could have passed it on'. The Hearing Panel heard that there was a great deal of public criticism of the Head of Governance as a result of the publication of the email on the website. The CESPLS's representative noted this criticism was unwarranted as the decision to rule the amendment incompetent had not been made by the Head of Governance. The Respondent had accepted this criticism had been factually inaccurate in a later email to the Head of Governance.

The CESPLS's representative argued that the public criticism of the officer was a direct result of the Respondent having circulated the email of 29 December 2014 to a number of people and that such behaviour compounded a misunderstanding of the roles of officers and members and eroded public confidence in the Council. He further argued that the content of the email of 29 December 2014 was critical of the Head of Governance and was not, therefore, compatible with the provisions in the Code relating to trust and mutual respect.

The CESPLS's representative explained that the email from the Respondent to all councillors of Argyll & Bute Council of 5 February 2015 related to a proposal by the South Cowal Community Development Company to purchase Castle Toward. In his email, the Respondent referred to a quotation from Councillor Walsh published in 'The National' newspaper that day about a loan offered to the South Cowal Community Development Company in respect of the proposed purchase. The Respondent was critical of the terms of the loan offer and, in rebutting the quote in the article, he incorporated text from an email sent by the Council's Head of Strategic Finance to the South Cowal Community Development Company of 14 January 2015. The Respondent indicated in the email that he intended to forward it to 'The National'. The CESPLS's representative contended that by incorporating the email from an identifiable officer in a critical email, which he intended to make public, the Respondent demonstrated a lack of courtesy and respect towards the officer.

Turning to the Respondent's email relating to the terms and conditions of contracted care workers, the CESPLS's representative noted that the primary responsibility for ensuring compliance with employment law lay with the external employers who employed them. The Respondent had, however, asserted in an email of 25 February 2015 to the Executive Director of Community Services that the perceived poor treatment of the contracted care workers was attributable to a flawed approach taken by officers to a tender process, which the Executive Director had been responsible for. The CESPLS's representative argued that the Respondent's email of 25 February 2015 contained implications that officers had been, or were, complicit in malpractice and possibly illegal conduct without any substantive evidence of this. It was unwarranted and disrespectful.

The CESPLS's representative drew the Hearing Panel's attention to a number of emails sent by the Respondent to the Council's Executive Director of Development and Infrastructure Services between 25 August and 4 October 2014. These concerned a disagreement about whether emails concerning Rothesay Harbour should be circulated to third parties. The CESPLS's representative argued that the tone of the correspondence along with the conduct of the Respondent in insisting in his emails on disclosure to third parties, including one who was in dispute with the Council, lacked the required elements of trust and respect.

The CESPLS's representative explained that the Respondent had sent emails to the Council's Executive Director of Development and Infrastructure Services on 2 December 2014 and 11 January 2015 relating to the issue of safety equipment issued to staff working at Rothesay Harbour. In these he had made repeated assertions that the safety equipment was inadequate, despite being advised otherwise by the officer. The CESPLS's representative argued that in making such assertions, without an obvious attempt to assess the contrary advice, the Respondent demonstrated a lack of courtesy and respect towards the Executive Director of Development and Infrastructure Services and a lack of trust in her competence.

The CESPLS's representative advised that the Respondent had sent the Executive Director of Development and Infrastructure Services an email on 12 December 2014 raising 31 points about operational matters at Rothesay Harbour. Despite having received a detailed point by point response from on 12 February 2015, the Respondent had nevertheless sent a further email on 25 February 2015, disagreeing with several of the points in the response and making comments that were of a critical nature. The CESPLS's representative argued that the level of engagement with a senior officer was inappropriate and contrary to an aim of the Code, which was to facilitate communications and the working of local authorities. If such an approach was replicated across the Council then it could not operate. The CESPLS's representative further contended that the Respondent's unwillingness to accept the officer's professional judgement and his criticisms of it were indicative of a lack of trust in her competence and, further, lacked trust and respect.

In respect of the application of Article 10 of the ECHR, the Hearing Panel heard submissions from the CESPLS's representative that the Councillors' Code of Conduct and the legislation that introduced it (being the Ethical Standards in Public Life etc. (Scotland) Act 2000) were ECHR compliant. The interpretation of the Code in light of the provisions of the ECHR was, therefore, a balancing act. The scope of Article 10 should not be interpreted to operate in a way which allowed elected members, without any measured application of the Code, to make erroneous critical comments about officers, which were damaging to their reputations and also that of the Council.

The CESPLS's representative noted that the Respondent's representative had submitted a number of authorities, culminating in *Heesom v The Public Services Ombudsman for Wales* ([2014] EWHC 1504 (Admin)). However, the CESPLS's representative argued that a number of the authorities related to circumstances and Codes which were very different to the ones in question.

The CESPLS's representative further noted that while the case law indicated that public servants were subject to wider limits of acceptable criticism than private individuals, the limits were not as wide as those elected politicians could expect. The CESPLS's representative noted there was also a public interest in protecting public servants from unwarranted criticism, which required to be taken into account.

The CESPLS's representative argued that the Respondent's email of 29 December 2014 did not fall within the scope of 'political expression' allowed by Article 10 because it was an erroneous attribution of responsibility to an officer for a political decision made by someone else. In addition, he noted that Article 10(2) acknowledges restrictions on freedom of expression may be imposed by, for example, legislation or Codes of Conduct. These were necessary in a democratic society to protect the rights and reputations of others. The CESPLS's representative contended, therefore, that even if Article 10(1) extended to the comments made by the Respondent in the email, then Article 10(2) allowed such remarks to be restricted by the Councillors' Code of Conduct.

While the CESPLS's representative accepted that political expression has been interpreted by the Courts as being a wide concept, in this case the Respondent's comments did not concern political discussions or views; instead they were criticisms of how officers undertook their duties. A perturbation of officers' ability to do their jobs properly did not

fall within the scope of political expression. The CESPLS's representative further accepted that the more senior the officer, the more they should be expected to take the 'rough and tumble' of political dispute. However, this did not mean that councillors are allowed to criticise officers in public.

### **Submissions made by the Respondent's Representative**

The Respondent's representative argued the Respondent's correspondence should be considered in the context of the key principles in Councillors' Code of Conduct and, in particular the ones concerning:

- Duty, which placed an obligation on councillors to represent the interests of the Council as a whole and also the communities served by it and to represent their interests conscientiously;
- Selflessness, which obliged councillors to act in the public interest; and
- Openness, which provided that information should only be restricted when the wider public interest clearly demands.

The Respondent's representative also drew the Hearing Panel's attention to Argyll & Bute Council's Constitution, which outlined the roles and functions of councillors. The constitution made it clear that they must represent and be advocates for their communities, must assist constituents with grievances and must balance representing their wards and the electorate as a whole. One of the principles of decision-making in the Constitution was 'a presumption in favour of openness'.

The Respondent's representative contended that the Respondent was acting in accordance with the key principles and Argyll & Bute Council's Constitution when sending the correspondence in question. He had been exercising, with due diligence, the responsibilities he was due to the electorate as a whole and also to those who had asked him for assistance.

The Respondent's representative explained that the background to the Respondent's email to the Head of Governance of 29 December 2014 was there had been significant public interest in the disposal of Castle Toward. A number of members of the public present at the meeting on 26 June 2014 were unhappy about the way the Respondent's motion had been handled and had continued to lobby him on the matter. There was significant public interest in the matter and the Respondent was simply advancing the cause on behalf of his constituents. It was not a private concern. The Head of Governance was aware of the public disquiet so the Respondent's use of the words 'should perhaps make clear now that your response will be made public' should not have been a surprise.

The Respondent's representative confirmed that the Respondent had not made the email public; he only disseminated it to those on a copy list. The CESPLS should have taken steps to ascertain who made it public but had failed to do so. The Respondent's representative argued that email was measured, reasonable and polite in tone. He had simply been asking about the advice given by the Head of Governance, which was a fair question given the presumption in favour of openness in the Council's Constitution and also in the context of the amount of public interest. The Respondent was simply fulfilling his responsibilities in dealing with a matter on behalf of his constituents.

The Respondent's representative argued that the Respondent's email of 5 February 2015 was a factual email, sent with the intention of making the political point to Councillor Walsh that the quote attributable to him in 'The National' was incorrect. The context and purpose was not disrespectful to officers. The Respondent's representative noted the Respondent referred in the email to the probity of the proposed loan offer and argued that this fell within the scope of normal political debate. The email was generally polite and measured in tone and the Head of Strategic Finance's email to the South Cowal Community Development Company of 14 January 2014 had only been incorporated to demonstrate Councillor Walsh's quote was incorrect. In any event, the Respondent's representative argued that the email of 14 January 2014 had been made available to the South Cowal Community Development Company so was effectively already in the public domain.

In respect of the email relating to the terms and conditions of contracted care workers, the Respondent's representative advised that the Respondent had been approached by some care workers who expressed concerns that the contractors were not complying with employment legislation and were paying less than the minimum wage. The Respondent was simply advocating for these constituents and there was nothing inherently disrespectful in him doing so, given it was part of his role. The Respondent's representative further argued that the Respondent was acting in the public interest in trying to avoid the Council being criticised by alerting the officers to this possibility. He was not personally attacking or criticising officers.

Turning to the emails concerning Rothesay Harbour, the Respondent's representative explained the Respondent would not normally have got so involved in matters of an operational nature. He had done so, however, as had received an email from a senior officer on 29 August 2014 indicating the Harbour Authority had liability for health and safety issues. Given he was a member of the Harbour Authority, this email and the content of the Marine Safety Code led the Respondent to legitimately believe he had a personal responsibility for health and safety at the Harbour. He was raising legitimate concerns in this capacity and only became frustrated when the issues were not addressed. The Respondent's representative advised that the Respondent accepted his emails to the Council's Executive Director of Development and Infrastructure Services had been robust in nature but this was because he had become concerned that she was not taking the matters he had raised seriously. The Respondent's representative argued that none of the emails were disrespectful.

The Respondent's representative accepted the facts of the specific cases he had lodged in respect of the application of the ECHR were not necessarily analogous to the current case. However, the authorities demonstrated how the principles of how Article 10 were to be applied.

The Respondent's representative noted that authorities clearly indicated that, in the political context, a degree of the immoderate, offensive, shocking, disturbing, exaggerated, provocative, polemical, colourful, emotive, non-rational and aggressive, which would not be acceptable outside that context, was tolerated. The case law also indicated that the enhanced protection of freedom of expression was a broad concept and was not limited to expressions of or critiques of political views. Instead, it extended to all matters of public administration and public concern including comments about the adequacy or inadequacy

of performance of public duties by others. It also extended to value judgements made in good faith, which had sufficient factual basis.

The Respondent's representative further noted that Article 10(2) allowed some limitations on freedom of expression in order to protect the rights and reputations of others. However, the case law demonstrated that Article 10(2) must be interpreted in a narrow manner. Public servants can expect protection if there is a pressing social need in the circumstances of the case, but such protection must be relevant and sufficient. It required to be weighed against the interests of freedom of the press or of open discussion of matters of public concern.

The Respondent's representative argued that the matters raised by the Respondent in his emails were of public interest and or were value judgements made in good faith, both of which were allowed by Article 10. The Respondent had not been abusive or offensive to officers and had not made personal attacks or used excessive language; he was simply acting on behalf of his constituents in trying to draw their attention to matters of serious public concern.

## **DECISION**

The Hearing Panel, having considered the submissions made by both the CESPLS and the Respondent's representatives, determined that it had sufficient information to be able to make a decision about whether or not there had been any breaches of the Councillors' Code of Conduct. The Hearing Panel proceeded to make this decision.

The Hearing Panel noted that the CESPLS considered that there had been six breaches of the Councillors' Code of Conduct.

The Hearing Panel considered all of the submissions, including the presentations made during the Hearing by the CESPLS and Respondent, and found as follows:-

1. The Councillors' Code of Conduct applied to the Respondent.
2. The Hearing Panel found that the Respondent had breached paragraph 3.3, and paragraph 20 of Annex C, of the Code of Conduct in respect of an email to the Council's Head of Governance on 29 December 2014.
3. The Hearing Panel did not find that the other five alleged breaches amounted to a breach of the Code.

## **Reasons for Decision**

The Hearing Panel:

1. Considered that, in respect of the Respondent's email to the Council's Head of Governance of 29 December 2014, he had breached paragraph 3.3, and paragraph 20 of Annex C, of the Code of Conduct by circulating it to a number of individuals, before the



Head of Governance had the opportunity to reply. While the Hearing Panel accepted the Respondent's contention that he had not provided it to the 'ForArgyll' website, it considered it was the Respondent's actions in circulating the email to a number of individuals had resulted in it being published on the website. Publication on this website resulted in highly critical and unwarranted comments being directed at the Head of Governance. This demonstrated a lack of courtesy and respect to the Officer. The Hearing Panel considered that, by his actions, the Respondent had undermined mutual trust and respect between himself and a senior officer of the Council. Given the Respondent's position that the content of the email was already a matter of significant public interest, the Hearing Panel was of the view that he must have been aware, or could reasonably have expected, that the circulation of the email might result in it being published.

2. Considered that the email contained criticism of the Head of Governance. The Hearing Panel determined that, in circulating an email containing such criticism before providing the Head of Governance with the opportunity to respond, the Respondent failed to treat the officer with courtesy and respect and also failed to comply with the prohibition on raising matters relating to the conduct of officers in public.
3. Did not consider that the email of 29 December 2014 fell within the protection of freedom of expression under Article 10 of the ECHR. This is because the Hearing Panel's decision was not based solely on the content of the email, but rather the fact that the Respondent enabled a critical email to go in to the public domain without giving the officer the chance to respond. The Hearing Panel observed that councillors should exercise extreme care about either making public criticisms about officers, or allowing critical comments about officers to be made public, as such criticisms may not always fall within the protection provided by Article 10 of the ECHR.

The Hearing Panel did not find that the Respondent breached the Code of Conduct in respect of any of the other five matters considered to be breaches by the CESPLS, which involved correspondence from the Respondent relating to matters concerning the:

- Email from the Respondent to all Argyll & Bute councillors of 5 February 2015 relating to the proposal to purchase Castle Toward by the South Cowal Community Development Company;
- Email from the Respondent to the Council's Executive Director of Community Services of 25 February 2015 relating to the terms and conditions of contracted care workers employed by external contractors;
- Emails between 25 August and 4 October 2014 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to a disagreement over the circulation of emails concerning Rothesay Harbour to third parties;
- Emails of 2 December 2014 and 11 January 2015 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to the issue of safety equipment issued to staff working at Rothesay Harbour; and
- Email of 25 February 2015 from the Respondent to the Council's Executive Director of Development and Infrastructure Services relating to previous emails concerning operational issues at Rothesay Harbour.

This was because:

1. The Hearing Panel considered whether the comments made by the Respondent in the email of 5 February 2015 fell within the parameters of 'political expression' allowed in terms of the enhanced protection provided to politicians under Article 10 of the ECHR and/or whether any limitation in respect of the public interest in protecting public servants from unwarranted criticism applied. It decided the comments in the email of 5 February 2015 were protected by Article 10 as they concerned a matter of public interest. The Respondent, in making the comments, was expressing a value judgement and challenging the veracity of a quote made by another councillor. This quote had been published in a newspaper and the matter was, therefore, already in the public domain.
2. The Hearing Panel considered that while the language and tone used in the Respondent's email of 25 February 2015 concerning the terms and conditions of contracted care workers was robust, he addressed it to the appropriate officer who had responsibility for the matter. The Hearing Panel considered the Respondent was raising legitimate concerns on behalf of constituents, which he was entitled to do.
3. In terms of emails about Rothesay Harbour, the Hearing Panel determined that the Respondent was asking questions and raising issues in his role as a Member of the Harbour Authority and on the reasonable understanding that, in undertaking the role, he had a responsibility for health and safety issues at the harbour. The Hearing Panel considered that Respondent raised what he clearly believed to be legitimate issues in a polite and factual manner.

### **Evidence in Mitigation**

The Respondent submitted a number of supportive affidavits and statements from constituents affected by, or concerned about, the matters that were the subject of the Respondent's correspondence, the Council's governance arrangements and/or the conduct of the Council's officers. He also submitted supportive affidavits and statements from four fellow councillors and from the MSP for Argyll & Bute.

In addition, the Hearing Panel heard evidence from three witnesses, being two fellow councillors and one member of the press, to the effect that the Respondent was known as someone who actively engaged with his constituents and was committed to representing their interests. He took his responsibilities as a councillor very seriously and was an excellent local representative. All three witnesses attested to the Respondent's honesty and decency and confirmed that he was committed to, and passionate about, working hard in the public interest.

The Respondent explained that he had not intended the Head of Governance to have been the subject of public criticism and expressed regret that this had happened. The Respondent reiterated that his sole aim and sincere motive had been to act in the interests of his constituents.



## **SANCTION**

The decision of the Hearing Panel was to censure the Respondent.

The sanction was made under the terms of the Ethical Standards in Public Life etc. (Scotland) Act 2000 section 19(1)(a).

### **Reason for Sanction**

The Respondent had breached the Councillors' Code of Conduct. In reaching their decision, the Hearing Panel:

1. Noted it had found a breach in respect of one of the six allegations.
2. Was obliged by the 2000 Act to impose a sanction where a breach had been found. It considered the Respondent's actions in circulating his email had resulted in unwarranted and highly critical public criticism of an officer.
3. Noted it had not found the language used in the Respondent's email of 29 December 2014 to be offensive or abusive.
4. Noted the submissions made by the Respondent in mitigation, in particular, the Hearing Panel noted the Respondent demonstrated regret and insight into the impact of the circulation of his email on the Council officer concerned.
5. Accepted the evidence given on behalf of the Respondent by three witnesses, who provided detailed examples both verbally and in writing that the Respondent was hard-working, tenacious and fully committed to representing the interests of his constituents.
6. Took account of the written statements provided by other individuals on the Respondent's behalf.
7. Acknowledged the contribution to public life made by the Respondent as a councillor.

## **RIGHT OF APPEAL**

The attention of the Respondent was drawn to Section 22 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended which details the right of appeal in respect of this decision.

**Date:** 26 October 2016



**Ian A. Gordon OBE, QPM, LL.B (Hons)  
Chair of the Hearing Panel**

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