

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

*Customer Services*  
*Executive Director: Douglas Hendry*



*Kilmory, Lochgilphead, PA31 8RT*  
*Tel: 01546 602127 Fax: 01546 604435*  
*DX 599700 LOCHGILPHEAD*  
9 March 2017

**NOTICE OF MEETING**

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 16 MARCH 2017** at **10:30 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director of Customer Services

**BUSINESS**

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST (IF ANY)**
3. **MINUTES** (Pages 1 - 6)  
Policy and Resources Committee held on 16 February 2017
4. **FINANCIAL REPORT MONITORING PACK - JANUARY 2017** (Pages 7 - 14)  
Report by Head of Strategic Finance
5. **PERFORMANCE REPORT - FQ3 2016-17** (Pages 15 - 24)  
Report by Executive Director – Customer Services
6. **COMMUNITY COUNCIL ANNUAL BY-ELECTION 2016** (Pages 25 - 28)  
Report by Executive Director – Customer Services
- \* 7. **SCOTTISH GOVERNMENT FUNDING FOR WELFARE REFORM AND DISCRETIONARY HOUSING PAYMENTS - REPORT ON SPEND TO DATE AND FUTURE PROPOSALS** (Pages 29 - 34)  
Report by Executive Director – Customer Services

8. **ARGYLL AND BUTE EMPLOYABILITY TEAM - UPDATE ON FINANCIAL POSITION AND SERVICE PROVISION** (Pages 35 - 44)  
Report by Executive Director, Development and Infrastructure Services
9. **LORN ARC UPDATE** (Pages 45 - 54)  
Report by Executive Director, Development and Infrastructure Services
10. **SINGLE INVESTMENT PLAN: RURAL GROWTH DEAL** (Pages 55 - 92)  
Report by Executive Director – Development and Infrastructure Services
11. **UPDATE ON THE PROGRESS OF DISCOVER SPACE UK (DSUK)**  
(Pages 93 - 102)  
Report by Executive Director – Development and Infrastructure Services
12. **SURPLUS CHORD FUNDS** (Pages 103 - 112)  
Recommendation from Mid Argyll, Kintyre and the Islands Area Committee held on 1 February 2017 and report by Executive Director – Development and Infrastructure Services
- \* 13. **BETTER REGULATION: ARGYLL AND BUTE COUNCIL ENFORCEMENT POLICY**  
(Pages 113 - 124)  
Recommendation from Planning, Protective Services and Licensing Committee held on 22 February 2017 and report by Executive Director – Development and Infrastructure Services
14. **POLICY AND RESOURCES COMMITTEE WORK PLAN** (Pages 125 - 126)

Items marked with an “asterisk” are items, on the basis of information available at the time this Agenda is published, on which the Committee may not have delegated powers to act, and which may therefore require to be referred to the Council or another Committee, and that referral may depend on the decision reached at the meeting.

## **Policy and Resources Committee**

Councillor Dick Walsh (Chair)	Councillor Rory Colville
Councillor Robin Currie	Councillor Mary-Jean Devon
Councillor Kieron Green	Councillor Roderick McCuish
Councillor Iain MacLean	Councillor Alistair MacDougall
Councillor Neil MacIntyre	Councillor Aileen Morton
Councillor Ellen Morton (Vice-Chair)	Councillor Gary Mulvaney
Councillor James Robb	Councillor Len Scoullar
Councillor Isobel Strong	Councillor Sandy Taylor

Contact: Hazel MacInnes Tel: 01546 604269

**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL  
CHAMBER, KILMORY, LOCHGILPHEAD  
on THURSDAY, 16 FEBRUARY 2017**

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

Councillor Rory Colville	Councillor Aileen Morton
Councillor Robin Currie	Councillor Ellen Morton
Councillor Kieron Green	Councillor Gary Mulvaney
Councillor Roderick McCuish	Councillor Len Scoullar
Councillor Alistair MacDougall	Councillor Isobel Strong
Councillor Neil MacIntyre	Councillor Sandy Taylor

**Also Present:** Councillor Michael Breslin Councillor Elaine Robertson  
Councillor Douglas Philand

**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  
Kirsty Flanagan, Head of Strategic Finance  
Jane Fowler, Head of Improvement and HR  
Peter Cupples, Finance Manager  
Donald MacVicar, Head of Community and Culture

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Mary Jean Devon and James Robb.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated at this point.

**3. MINUTES**

The Minutes of the Meeting of the Policy and Resources Committee held on 15 December 2017 were approved as a correct record.

**\* 4. FINANCIAL REPORT MONITORING PACK - DECEMBER 2016**

Consideration was given to a report providing a summary of the financial monitoring reports as at the end of December 2016. The report summarised the Revenue Budget Monitoring Report as at 31 December 2016; Monitoring of Service Choices Savings; Monitoring of Financial Risks; Capital Plan Monitoring report as at 31 December 2016; Treasury Monitoring Report as at 31 December 2016; and Reserves and Balances. The latest budget monitoring for the Integration Joint Board was attached at appendix 3 to the Monitoring of Financial Risks Report.

**Decision**

The Committee –

1. Noted the revenue budget monitoring report as at 31 December 2016 and agreed to recommend to Council approval, in principle, that £0.172m of the Customer Services estimated underspend is earmarked and carried forward to be used to develop detailed business cases in respect of 11 digital transformation options and to support the work of the Transformation Board; which would reduce the forecast underspend to £1.460m.
2. Noted the progress of the service choices policy saving options as at the end of December 2016.
3. Noted the current assessment of the Council's financial risks.
4. Noted the capital plan monitoring report as at 31 December 2016 and note the over project cost changes, the project slippages and accelerations and the updated capital plan reflecting these changes.
5. Noted the treasury monitoring report as at 31 December 2016.
6. Noted the overall level of reserves and balances.

(Reference: Report by Head of Strategic Finance dated 31 January 2017, submitted)

\* **5. BUDGETING PACK**

Consideration was given to the full package of papers included in the budget packs in relation to the revenue and capital budgets for 2017/18.

**Decision**

The Committee agreed to refer this item, without recommendation, for consideration by the Council at their meeting on 23 February 2017.

(Reference: Report by Head of Strategic Finance dated 6 February 2017, submitted)

\* **6. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

The Committee gave consideration to a report which sought approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy which set out the Council's Strategy for borrowing and investment for the forthcoming year along with the Council's Prudential Indicators, which require to be set for a three year period. The report also set out the policy for the repayment of loans fund advances for 2017-18.

Following discussion the Head of Strategic Finance indicated her intention to raise directly with Capita the tenor and accuracy of some of the references contained within their appendices.

**Decision**

The Committee agreed to recommend to Council –

1. Approval of the proposed Treasury Management Strategy Statement and Annual Investment Strategy subject to review by the Performance Review and Scrutiny Committee in March 2017.
2. Approval of the use of Option 1 (statutory method) for the repayment of loan fund advances in respect of existing capital expenditure and new advances up to 31 March 2021 at an interest rate of 4.644%, with the exception of spend to save schemes where Option 4 (funding/income profile method) will be used.
3. Approval of the ability to use countries with a sovereign rating of AA- and above as recommended by Capita, which would include the use of Abu Dhabi and Qatar, rated as AA.

(Reference: Report by Head of Strategic Finance dated 6 February 2017, submitted; and Treasury Management Strategy Statement and Annual Investment Strategy 2017/18, submitted)

Councillor Rory Colville declared a non-financial interest in the following item of business due to his role as Director of the South Kintyre Development Trust. He took no part in the discussion of this item.

**7. SIX MONTHLY REPORT ON CASH FLOW SUPPORT LOANS - 1 JULY 2016 TO 31 DECEMBER 2016**

Consideration was given to a report which set out a summary of cash flow support loans dealt with through delegated powers between 1 July 2016 and 31 December 2016. The report advised that no loans had been granted within this period and that the outstanding loan of £50,000 to South Kintyre Development Trust was fully repaid on 27 July 2016.

**Decision**

The Committee noted the content of the report.

(Reference: Report by Head of Strategic Finance dated 11 January 2017, submitted)

**\* 8. APPOINTMENT OF INDEPENDENT MEMBERS TO LEISURE & LIBRARIES TRUST BOARD**

Consideration was given to a report which sought agreement of the appointment process for the independent members of the proposed Leisure and Libraries Trust Board following approval by the Council of the full business case for the Trust in November 2016 and agreement which was given to proceed with the establishment of a board which is required as part of the OSCR registration process.

**Decision**

The Committee agreed to recommend to the Council –

1. That adverts are placed seeking expressions of interest from suitably qualified and experienced individuals from across the area to take up voluntary Trust Board membership.

2. That applications are assessed against the skills and experience criteria in the matrix submitted in the EY Business Case.
3. That an appointments panel comprising 4 members of the administration and two opposition nominees, plus substitute members, is agreed to appoint board members; and that the administration to make appointments based on geographical spread with Councillor Dick Walsh being appointed for Bute and Cowal with Councillor Alex McNaughton as a substitute; Councillor Ellen Morton for Helensburgh and Lomond with Councillor Aileen Morton as substitute; Councillor Roddy McCuish for Oban, Lorn and the Isles with Councillor Elaine Robertson as substitute; and Councillor Robin Currie for Mid Argyll, Kintyre and the Islands with Councillor Donald MacMillan as substitute.

(Reference: Report by Acting Executive Director – Community Services dated 31 January 2017, submitted)

#### **9. HELENSBURGH PARK AND RIDE - GASOMETER SITE LAND PURCHASE**

Consideration was given to a report advising of proposals to purchase the former gasometer site in Helensburgh for a park and ride facility serving both the town centre and Helensburgh Central using £80k of grant funding from SPT. The report set out the risks associated with purchasing the gasometer site and the measures taken to mitigate these.

The Executive Director provided an update to the Committee advising that since the report had been published SPT had allocated £300k towards the project in their 2017/18 budget and that this had reduced the risk to the Council substantially.

##### **Decision**

The Committee approved the purchase of the former Gasometer Site in Helensburgh, by Argyll and Bute Council, utilising the £80K capital grant funding from SPT.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 13 January 2017, submitted)

#### **\* 10. DRAFT REVISED ROAD SPEED LIMIT POLICY FRAMEWORK**

The Committee gave consideration to a recommendation by the Environment, Development and Infrastructure Committee for the approval of proposed Road Speed Limit Policy Framework as a Council Policy.

##### **Decision**

The Committee agreed to recommend to Council, approval of the proposed Road Speed Limit Policy Framework as a Council Policy.

(Reference: Recommendation from Environment, Development and Infrastructure Committee held on 19 January 2017; report by Executive Director – Development and Infrastructure Services dated 6 December 2016; and draft Road Speed Limit Policy Framework, submitted)

**11. POLICY AND RESOURCES COMMITTEE WORKPLAN**

Consideration was given to the Policy and Resources Committee Work Plan as at February 2017.

**Decision**

The Committee noted the work plan as at February 2017.

(Reference: Policy and Resources Committee Work Plan as at February 2017, submitted)

This page is intentionally left blank

---

**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****STRATEGIC FINANCE****16 MARCH 2017**

---

**EXECUTIVE SUMMARY****FINANCIAL REPORT MONITORING PACK – JANUARY 2017**

---

**1. INTRODUCTION**

1.1 This report provides a summary of the financial monitoring reports as at the end of January 2017. Where relevant, they have been updated to reflect the budget proposals agreed at the Council meeting on 23 February 2017. There are six detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 January 2017
- Monitoring of Service Choices Savings
- Monitoring of Financial Risks
- Capital Plan Monitoring Report as at 31 January 2017
- Treasury Monitoring Report as at 31 January 2017
- Reserves and Balances

The web link to the detailed reports is as follows:

<http://www.argyll-bute.gov.uk/financial-monitoring>

1.2 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. Financial reporting in respect of Integration Services will now be submitted to the IJB via the IJB's Chief Financial Officer and it is expected that the Chief Financial Officer of the IJB will also keep the Council up to date on the financial position. The Scheme of Integration notes at 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".

1.3 The reports contained in the Council's monitoring pack will no longer have the same level of detail on Integration Services. However, when available, the latest budget monitoring for the IJB will be an Appendix to the Monitoring of Financial Risks report.

**2. DETAIL****2.1 Revenue Budget Monitoring Report**

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 The revenue budget as at 31 January 2017 is estimated to be £1.794m underspent. It was agreed, at the Council meeting on 23 February 2017, that £0.172m is to be earmarked to develop detailed business cases in respect of 11 digital transformation options and to support the work of the Transformation Board. This reduces the forecast underspend to £1.622m.

The majority of the underspend is either one-off or as a result of careful financial management. Where relevant any impact on next year has been accounted for within the 2017-18 budget estimates. The underspend mainly relates to:

- forecast saving in loans interest payments of £0.900m due to effective management of the Council's cash and borrowing position,
- vacancy savings in excess of target amounting to £0.660m due to careful management of posts in advance of future saving requirements,
- additional anticipated income from berthing, car and passenger dues since the introduction of RET, £0.200m,
- an underspend of £0.200m within Amenity services due to a service redesign
- saving of £0.500m in utilities due to a reduction in energy costs and also the corporate approach adopted to monitor and manage utilities,
- offset by a forecasted overspend in winter maintenance of £0.270m, a shortfall in planning and building warrant fees of £0.210m and a shortfall in savings due to the delay in implementing two service choices savings options £0.308m.

2.1.3 There is also a further potential one-off windfall in 2016-17 in respect of two young adults who used to live in Argyll and Bute but who now live in Glasgow. For the last few years, the Council has been in dispute with Glasgow City Council regarding responsibility for funding the care packages and Scottish Ministers have determined that Glasgow City Council were responsible for funding both young people. As at the end of January, £0.326m has been settled in relation to one young person and the invoice for the second young person will be issued shortly, which is expected to be in the region of £0.350m to £0.400m. An update will be given in the next monitoring report.

2.1.4 There is a year to date deficit of £0.468m against the year to date budgeted expenditure which is due to profiling of budgets.

## **2.2 Monitoring of Service Choices Savings**

2.2.1 This report provides an update on the implementation and delivery of the Service Choices policy savings options agreed by Council in February 2016. The savings options will be reported as being delivered, on track to be delivered, still to be implemented, being developed or delayed.

2.2.2 Of the 125 savings options, 85 have already been delivered, 17 are on track to be delivered, 13 have still to be implemented, 2 have still to be developed and 8 are delayed.

2.2.3 There are 8 savings options reported as delayed. The changes to the delayed savings reported to P&R on 16 February 2017 for the period end of December 2016 are noted below.

#### Development and Infrastructure

- There is one change to the delayed savings reported to P&R on 16 February 2017 in respect of the car parking saving option. The service have undertaken a review during December and January and are now confident that the saving can be fully delivered.

2.2.4 The 8 options delayed are noted below and further information is contained within the report.

#### Community Services:

- Creation of a Charitable Leisure Trust – initial timeframe not feasible, delay of around 6 months with a financial implication in 2017-18 of £0.429m. The business case suggests full year NDR and VAT savings of £0.636m offset by recurring costs of £0.095m resulting in a net saving of £0.541m full year (original estimate £0.700m). This has been reflected within the updated budgetary outlook.
- ASN Efficiencies - as a result of the annual exercise to consider the individual needs of our young people there has been a greater need identified than previously forecast with a financial delay implication of £0.090m within 2016-17. The service are working to ensure that the cost of this delay is met from existing resources.
- The increase to fees for non-statutory music tuition by 50% - not fully achievable in 2016-17 due to the implementation date being pushed back until August for legal reasons. Although non-statutory music tuition fees were increased by 50% it should be noted that:
  - In schools in Argyll and Bute, Music Education as a subject is part of the expressive Arts curriculum area for Curriculum for Excellence. It is taught by GTCS registered teachers to young people from primary one and throughout the Broad General Education
  - In addition, Education Services contribute to the delivery of the Youth Music Initiative, a Scottish Government programme administered by Creative Scotland – the national agency for the arts, screen and creative industries. This allows for additional music experiences for pupils with one year of free tuition provided,
  - There are no charges for Argyll and Bute pupils who are provided with instrumental music provision relating to learners' SQA course work in music examinations.
- Instrumental Instructor provision reduced by 20% - this equates to a 2.6 FTE reduction however this will not be fully achieved as instructors are on teacher's terms and conditions on which there is currently a no redundancy policy. The financial implication of the two music related savings amounts to £0.018m in 2016-17. The service is working to ensure that the cost of this delay is met from existing resources.

## Customer Services:

- Catering and Cleaning redesign (3 options) - Catering and Cleaning Business Case outlines total savings of £0.777m expected by 2020-21 with £0.331m deliverable by 2018-19. Comparing to the original savings estimated there is a shortfall reflected within the budgetary outlook of £0.040m in 2017-18 and £0.524m in 2018-19 as shown in the table below:

	<b>2017-18 £000</b>	<b>2018-19 £000</b>	<b>2019-20 £000</b>
FS01A-C - Long term redesign of catering service.	0	560	560
FS01D - Build up and develop catering service for events and functions.	40	40	40
FS02A-B - Long term redesign of cleaning service.	0	255	255
<b>Total Original Estimate of Savings:</b>	<b>40</b>	<b>855</b>	<b>855</b>
Revised Estimate of Savings	0	331	331
<b>Shortfall / Delayed Saving</b>	<b>(40)</b>	<b>(524)</b>	<b>(524)</b>

## Development and Infrastructure:

- Three weekly rubbish collection – This is now fully implemented, however, there was a slight delay to original June implementation date due to complexity of the Service Choice, amendments to routes, negotiations with staff, Trade Unions, Third Sector Groups and contractors. The financial impact of this delay amounts to £0.308m in 2016-17 and although this was originally forecast as an overspend position, the department have now identified additional income to offset the majority of this overspend.

## 2.3 Monitoring of Financial Risks

2.3.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.

2.3.2 There are a number of Council wide risks identified. In respect of revenue all have been assessed as remote or unlikely with the exception of two risks that have been assessed as possible as noted below:

- Auto enrolment into the pension scheme which impacts on employers superannuation. The majority of staff will not be auto enrolled until October 2017 and the impact of this has been reflected within the medium term budgetary outlook.
- The risk that the Integrated Joint Board (IJB) refer back to the Council for additional funding in the event that there is an overspend and where a recovery plan has proved to be unsuccessful. If an additional payment is required from the Council this will be deducted from future years funding/payments, as set down within the Scheme of Integration.

2.3.3 There are currently 36 departmental risks totalling £3.089m. Only 3 of the risks are categorised as likely, with a potential impact of £0.430m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.3.4 The top 3 risks in terms of their likely financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	300
Roads and Amenity Services	Roads Maintenance	Extreme localised weather may result in loss of bridge, culvert, road or sea defence.	3	300
Roads and Amenity Services	Roads Maintenance	Adverse weather conditions may result in deterioration of the road network necessitating greater spend on reactive repair of defects.	3	230

## 2.4 Capital Plan Monitoring Report

2.4.1 Capital Plan Monitoring Report – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.

2.4.2 Actual net expenditure to date is £18.165m compared to a budget for the year to date of £17.911m giving rise to an overspend for the year to date of £0.254m. The forecast outturn for the year is a forecasted underspend of £4.409m.

2.4.3 The £0.117m year to date overspend consists of an overspend variance within Fleet Management due to the timing of vehicle sales and to other small variances of £0.137m across the capital programme.

2.4.4 The forecast underspend for the year is £4.409m. This is largely due to slippages in School projects of £1.863m due to delays in the commencement of construction work. In addition, there are also slippages in Helensburgh and Rothesay CHORD projects of £1.319m.

## **2.5 Treasury Monitoring Report**

- 2.5.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.
- 2.5.2 The Council drew down £0.1m of funding from Salix in respect of the LED Street Lighting Project with an interest rate of 0% during the period 01 January 2017 to 31 January 2017.
- 2.5.3 Borrowing is estimated to be below the capital financing requirement for the period to 31 March 2017. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment/credit worthiness risks. However, if it becomes clear that longer term interest rates are likely to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.
- 2.5.4 Investments at 31 January 2017 were £75.0m with a return achieved of 0.543% which compares favourably with the target of 7 day LIBID which was 0.115%.

## **2.6 Reserves and Balances**

- 2.6.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.
- 2.6.2 The Council has a total of £146.204m unusable reserves that are not backed with resources. They are required purely for accounting purposes.
- 2.6.3 The Council has a total of £57.115m usable reserves as at the end of 31 March 2016. Of this balance, £0.671m relates to Repairs and Renewals Fund, £4.027m relates to Capital Funds and the remainder is held in the General Fund, with £43.272m of the balance earmarked for specific purposes.
- 2.6.4 The General Fund contingency is set at 2% of net expenditure for 2016-17. As at the end of January 2017, after accounting for the budget proposals agreed at the Council Meeting on 23 February 2017, the estimated surplus over contingency is £2.714m.

## **3. RECOMMENDATIONS**

- 3.1 Members to note the revenue budget monitoring report as at 31 January 2017 which incorporates the impact, of the motion agreed at the Council meeting on 23 February 2017, on the 2016-17 outturn.
- 3.2 Members to note the progress of the service choices policy saving options as at the end of January 2017.

- 3.3 Members to note the current assessment of the Council's financial risks.
- 3.4 Members to note the capital plan monitoring report as at 31 January 2017 and note the over project cost changes, the project slippages and accelerations and the updated capital plan reflecting these changes.
- 3.5 Members note the treasury monitoring report as at 31 January 2017.
- 3.6 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves.

#### **4. IMPLICATIONS**

- 4.1 Policy – None.
- 4.2 Financial - Outlines the revenue and capital monitoring for 2016-17 as at 31 January 2017.
- 4.3 Legal - None.
- 4.4 HR - None.
- 4.5 Equalities - None.
- 4.6 Risk - Details of financial risks are included within the report.
- 4.7 Customer Service - None.

**Policy Lead for Finance: Councillor Dick Walsh**

**Kirsty Flanagan  
Head of Strategic Finance  
06 March 2017**

This page is intentionally left blank

---

**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****CUSTOMER SERVICES****16 MARCH 2017****PERFORMANCE REPORT – FQ3 2016-17**

---

**1. EXECUTIVE SUMMARY**

- 1.1 The Council's Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports. This paper presents the Policy and Resources Committee with the Customer Services Departmental performance report with the scorecards for Customer Services and Strategic Finance for FQ3 2016-17 ( October – December 2016).
- 1.2 It is recommended that the Policy and Resources Committee reviews the scorecards as presented.

**PERFORMANCE REPORT – FQ3 2016-17****2. INTRODUCTION**

- 2.1 The Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports. This paper presents the Departmental performance reports with associated scorecards for performance in FQ3 2016-17 (October – December 2016).

**3. RECOMMENDATIONS**

- 3.1 It is recommended that the Committee reviews the scorecards as presented.

**4. DETAIL**

- 4.1 The performance scorecard for the Customer Services Department was extracted from the Council's Pyramid performance management system and is comprised of key performance indicators incorporating the four services that make up Customer Services. Likewise the scorecard for Strategic Finance comprises the key performance indicators for this service.

**5. IMPLICATIONS**

- |     |                   |  |
|-----|-------------------|--|
| 5.1 | Policy            | None   |
| 5.2 | Financial         | None   |
| 5.3 | Legal             | The Council has a duty to deliver best value under the Local Government Scotland Act 2003.           |
| 5.4 | HR                | None   |
| 5.5 | Equalities        | None   |
| 5.6 | Risk              | Ensuring performance is effectively scrutinised by members reduces reputational risk to the Council. |
| 5.7 | Customer Services | None   |

Douglas Hendry, Executive Director – Customer Services

**For further information contact:**

Jane Fowler, Head of Improvement and HR  
Kirsty Flanagan, Head of Strategic Finance

**Key Successes**

1. Community Council by election process completed successfully
2. Gold award for empowering local democracy at Excellence awards
3. Cleaning Service was a finalist in the category of 'Most Improved Building Cleaning Performance' at the Association of Public Sector Excellence (APSE) Performance Networks Awards 2016.
4. Successful delivery of the Employee Awards and Learning Awards – Films of the event are now available on the Hub
5. Won highly commended local authority procurement team of the year at the GO procurement awards on 9 November.
6. Average time to fix IT incidents at lowest ever level – at 2.6 hours for December
7. Channel shift to digital channels continues to rise above targets with 64,497 online transactions in quarter up from 40,780 for FQ3 previous year.

**Key Challenges**

1. Local government Elections 2017 and new Council induction.
2. Service Choices budget reductions for 2017/18
3. Review of Planning Performance Management Framework
4. Implementation of Community Empowerment Act
5. Implementation of Transformation Programme
6. Short Life Working Group review of Political Management Arrangements
7. Continued work with the HSCP to ensure that the support services are as efficient as possible, by developing joint working, joint processes and exploring co-location
8. Still 39 sites to migrate to Scottish Wide Area Network at end of December (after planned completion date of 21 September). Contingency plans in place but expensive.
9. To create new governance, structures and procedures to support the financial inclusion services contract awarded from Big Lottery Fund

**Action Points to address the Challenges**

1. Experienced team in place to deliver electoral process and induction for new Council.
2. Corporate process in place to ensure delivery of service savings
3. A new approach has been developed and the initial stage of service planning and the implementation of business outcomes is

now underway.

4. Cross-departmental project team established to deliver the various elements of the Act.
5. Project Board in place to identify and drive forward transformation projects
6. Short Life Working Group fully supported to consider options for future Political Management Arrangements model
7. Continued close collaboration with HSCP management is essential to maximising efficiencies and opportunities for the HSCP and the council
8. Close monitoring of progress with contractor. Interim solutions agreed for certain sites. Assistance from Legal with damages claim.
9. Back to back contracts to be put in place, staff to be recruited and implementation plan finalised.

Making A&B a place people choose to live		
SOA Outcome - People live active, healthier and independent lives	Success Measures	9 <b>A</b>
	On track	8 →
SOA Outcome - People live in safer and stronger communities	Success Measures	28
	On track	23
SOA Outcome - Children and young people have the best possible start	Success Measures	7 <b>G</b>
	On track	7 →
Making A&B a place people choose to learn		
SOA Outcome - Education, skills and training maximises opportunities for all	Success Measures	
	On track	
Making A&B a place people choose to work		
SOA Outcome - The economy is diverse and thriving	Success Measures	10 <b>A</b>
	On track	6 →
SOA Outcome - We have infrastructure that supports sustainable growth	Success Measures	
	On track	
Making it happen		
Supporting Outcome - Service Delivery Enablers	Success Measures	62 <b>A</b>
	On track	51 →



Making Argyll and Bute a place people choose to live, learn, work and do business

IMPROVEMENT						Status Trend	
Improvement Plan Outcomes CU	Outcomes	Total No	Off track	On track	Complete	<b>A</b>	↓
		63	1	19	43		
CARP Customer Services		Total No	Off track	On track	Complete	<b>G</b>	→
		4	0	0	4		
Customer Service CU		Number of consultations		1			
Customer Charter		Stage 1 complaints	92 %	<b>G</b>	↑		
Customer satisfaction	96 %	<b>G</b>	↑	Stage 2 complaints	100 %	<b>G</b>	→
Customer Services Audit Recommendations	<b>R</b>	Overdue	Due in future	Future - off target			
		2 ↓	6 →	0 →			
CU Average Demand Risk	Score	6	Appetite	6	→		
CU Average Supply Risk	Score	6	Appetite	6	→		
Health & Safety		Overdue	Rescheduled	Actions in Plan	Complete		
Service H&S Plan Actions		0	0	2	2		
H&S Investigation Actions		0	0	2	2		

**Customer Services Scorecard 2016-17**  
 Scorecard owner **Douglas Hendry** FQ3 16/17 [Click for Full Outcomes](#)

**P** Priorities for 2015-17: Customer Services

RESOURCES				
People	Benchmark	Target	Actual	Status Trend
Sickness absence CU		1.93 Days	2.12 Days	<b>R</b> ↓
PRDs % complete		90 %	97 %	<b>G</b>
Financial		Budget	Forecast	
Finance Revenue totals CU	£K 39,924	£K 39,464		<b>R</b> ↓
Capital forecasts - current year CU	£K 19,057	£K 19,355		<b>A</b> ↑
Capital forecasts - total project CU	£K 112,772	£K 113,119		<b>A</b> ↑
Asset management red risks	6	On track	6	<b>G</b> →

**Customer Services Scorecard 2016-17**

FQ3 16/17

Click for Full Scorecard

SOA Outcome - The economy is diverse and thriving <span style="float:right">A</span>			
CS02 Businesses supported in claiming Non Domestic Rates relief	Success Measures	1	<span style="color:green">G</span>
	On track	1	⇒
CS03 Maximise opportunities for SME's to sell to the Council ...	Success Measures	5	<span style="color:red">R</span>
	On track	2	⇒
CS05 Increased value is delivered from procurement ...	Success Measures	4	<span style="color:orange">A</span>
	On track	3	⇒

SOA Outcome - Children and young people have the best possible start <span style="float:right">G</span>			
FS01 Children are healthier because nutritionally balanced school meals are available ...	Success Measures	6	<span style="color:green">G</span>
	On track	6	⇒
GL04 The best interests of children at risk are promoted	Success Measures	1	<span style="color:green">G</span>
	On track	1	⇒

SOA Outcome - People live active, healthier and independent lives <span style="float:right">A</span>			
CS01 Benefits paid promptly whilst minimising fraud	Success Measures	6	<span style="color:orange">A</span>
	On track	5	⇒
CS08 Financial and digital inclusion barriers are removed from disadvantaged citizens ...	Success Measures	3	<span style="color:green">G</span>
	On track	3	⇒

Supporting Outcome - Service Delivery Enablers <span style="float:right">A</span>			
CS04 Income from local taxes and sundry debtors is maximised ...	Success Measures	6	<span style="color:orange">A</span>
	On track	3	↓
CS06 IT applications & infrastructure available ... and meet business needs	Success Measures	8	<span style="color:orange">A</span>
	On track	7	⇒
CS07 Customers can access council services more easily ... service quality	Success Measures	9	<span style="color:orange">A</span>
	On track	8	⇒
GL01 High quality support and governance enables open transparent decision making	Success Measures	5	<span style="color:green">G</span>
	On track	5	↑
GL02 Council compliance with governance & info arrangements	Success Measures	3	<span style="color:orange">A</span>
	On track	2	⇒
GL05 Provision of high quality, timely legal advice and documentation	Success Measures	4	<span style="color:green">G</span>
	On track	4	⇒
GL06 Timely provision of Liquor Licences & Civic Government Licences to the public	Success Measures	5	<span style="color:green">G</span>
	On track	5	⇒
IH03 Our customers and employees are informed and engaged	Success Measures	9	<span style="color:orange">A</span>
	On track	7	⇒
IH04 Improve efficiency and delivery through systems and frameworks	Success Measures	2	<span style="color:orange">A</span>
	On track	2	⇒
IH05 Performance, continuous improvement and organisational change is developed ...	Success Measures	2	<span style="color:orange">A</span>
	On track	2	⇒
IH06 Workforce has skills, knowledge and behaviours that support our culture and vision	Success Measures	6	<span style="color:orange">A</span>
	On track	4	⇒
IH07 Provide high quality support services to our workforce	Success Measures	3	<span style="color:orange">A</span>
	On track	2	⇒

SOA Outcome - People live in safer and stronger communities			
FS02 Communities are safer ... through improved facilities	Success Measures	10	<span style="color:orange">A</span>
	On track	7	⇒
FS03 We contribute to the sustainability of the local area	Success Measures	5	
	On track	4	
FS04 School & public transport meets the needs of communities	Success Measures	3	<span style="color:orange">A</span>
	On track	2	↓
GL03 Improved quality of life and reduced risks for residents and visitors	Success Measures	1	<span style="color:green">G</span>
	On track	1	↑
IH01 Managers are enabled to manage health and safety effectively	Success Measures	6	<span style="color:green">G</span>
	On track	6	⇒
IH02 We recognise and tackle discrimination and promote equality	Success Measures	3	<span style="color:green">G</span>
	On track	3	⇒

**Key Successes**

- Following a review of the likely Loans Fund interest payments and receipts, a saving in Loans Charges of £900k has been identified for 2016-17. The saving is a direct result of good borrowing and investment decisions in addition to low interest rates for borrowing. A saving of £750k has also been identified for 2017-18 of which £250k is recurring into future years.
- Investment returns continue to exceed the benchmark rate of return – the rate of return to be reported to Policy and Resources Committee for the period to end of December was 0.579% which compares favourably with the target of 7 day LIBID (London Interbank Bid Rate – the rate which banks are willing to borrow from other banks) which was 0.116%.
- Staff within Strategic Finance have worked with colleagues in Development and Infrastructure to attract a £400k interest free loan to support the Street Lighting LED Project £300k of which was drawdown in December.
- Value for Money User Satisfaction saw a small improvement on last year with each individual question scoring higher.
- Medium Term Financial Outlook was presented to Policy and Resources Committee in October and December with the most up to date estimates at that time.

**Key Challenges**

1. Continue to provide high quality service with reduced resources. As we are approaching budget time and then financial year-end, reduced resources together with sickness absence makes these pressure points particularly challenging.
2. Department operating with a number of staff on long term sick (none are work related). As the number of staff within the service is relatively small, this will disproportionately affect the sickness absence percentage.
3. Ensure Budget Forecasting, particularly for next year's budget is underpinned by robust figures and assumptions.
4. Ensuring timely completion of Annual Audit Plan given reduced resource.
5. Production of medium to longer term financial strategy for the Council.

**Action Points to address the Challenges**

1. Feedback from Management Team meeting held on 1 November to discuss how we will deliver our service in the future is being evaluated to form the basis of service changes to ensure the continued delivery of high quality services.
2. The expectations of service users proactively managed as well as clear prioritisation of tasks. There are two posts where the post holder is on long term sickness absence and these have both been filled on a temporary basis to ensure continuity of service.
3. Budget preparation is progressing well and over this quarter the staffing establishment was confirmed as well as cost/demand pressures and inflation estimates.
4. The workload within Internal Audit continues to be reviewed and reallocated in order to deliver on the approved plan.
5. SMT held a session in December to consider key principles that would underpin the medium to longer term financial strategy and a report will be prepared for Council asking them to agree that officers undertake work to develop a medium to longer term financial strategy incorporating these principles.

Strategic Finance Scorecard 2016-17

FQ3 16/17

Scorecard owned by **Kirsty Flanagan**

Click for full Outcomes

Corporate Support Team Scorecard

Departmental Support Team Scorecard

Internal Audit Team Scorecard

SF01 Effective planning, reporting and management of finance ...

Links to Council Outcome MiH  

SF02 Assurance...that financial and management controls are operating effectively

Links to Council Outcome MiH  

**RESOURCES**

<i>People</i>	<i>Benchmark</i>	<i>Target</i>	<i>Actual</i>	<i>StatusTrend</i>
Sickness absence SF		1.5 Days	3.7 Days	 
PRDs SF		90 %	95 %	 
<i>Financial</i>	<i>Budget</i>	<i>Forecast</i>		
Finance Revenue totals SF	£K 1,790	£K 1,790		
Capital forecasts - current year SF	£K 0	£K 0		
Capital forecasts - total project SF	£K 0	£K 0		
<b>Council Efficiency Savings 2016-17</b>		Annual Target	£ 5,187,000	 
On track to be delivered	£ 1,440,900	Delivered	£ 2,727,200	

**IMPROVEMENT**

*Status Trend*

SF Service Improvement Plan 2015-16	Total No	Off track	On track	Complete	
Actions	15	0	0	15	
Strategic Finance Audit Recommendations	Overdue	Due in future		Future - off target	
	0 	4		0	
Health & Safety	Overdue	Due in future		Rescheduled	
Service H&S Plan Actions					
H&S Investigation Actions	0	0		0	
CARP Strategic Finance	Total No	Off track	On track	Complete	
	1	0	0	1	 
<b>Customer Service SF</b>	Number of consultations				
Customer Charter	Stage 1 complaints		100 %		
Customer satisfaction 94 %  	Stage 2 complaints		100 %		
SF Average Demand Risk	Score	9	Appetite	9	
SF Average Supply Risk	Score	8	Appetite	8	

Strategic Finance Scorecard 2016-17  
FQ3 16/17

Click for full Scorecard

SF01 Effective planning, reporting and management of finance ...		Links to Council Outcome MiH		
SF01 Council Finances Managed Effectively - Net	£	Budget	£ 1,530,903	
		Forecast	£ 1,530,903	
Unaudited accounts summary and snapshot complete by 30 June	Status	Complete		CIPFA VFM % rating public audit forum - practice
	Target			
Unaudited accounts complete by 30 June	Status	Complete		% rating public audit forum - commissioner satisfaction
	Target			
Annual Efficiency statement produced by 30 June	Status	Complete		SF user satisfaction survey
	Target			
Audited accounts complete by 30 September	Status	Complete		% investment returns
	Target			
Audited accounts summary and snapshot prepared by 15 October	Status	Complete		Average loans fund rate
	Target	Complete		
Revenue and Capital Budget Preparation Timetable	Status	On track		Annual treasury assessment against good practice
	Target			
Comprehensive budget monitoring reports within 20 days of month end	Status	On track		Annual review of treasury management practice statements
	Target	On track		
Zero qualifications in audit certificate	Status	Complete		Budgetary outlook reviewed/updated each quarter
	Target			

SF02 Assurance...that financial and management controls are operating effectively		Links to Council Outcome MiH		
SF02 Internal Audit - Net	£	Budget	£ 259,149	
		Forecast	£ 259,149	
% of audits in the audit plan completed	Actual	100 %		
	Target	100 %		
	Benchmark	100 %		
Risk management policy and manual reviewed by 31 March	Status	On track		
	Target	On track		
Final audit plan approved by 31 March	Status	On track		
	Target			
% of audit recommendations accepted.	Actual	100 %		
	Target	100 %		
	Benchmark	100 %		
Annual report on risk management	Status	On track		
	Target			
Risks are incorporated in approved service plans	Status	Complete		
	Target	On track		
Bi-annual reports on strategic and operational risk registers	Status	On track		
	Target	On track		
Continuous Monitoring Programme report to Audit Committee	Status	On track		
	Target	On track		
Participation in National Fraud Initiative - data completion	Status	On track		
	Target	On track		
Draft audit risk assessment complete by December	Status	On track		
	Target	Complete		

This page is intentionally left blank

---

**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****CUSTOMER SERVICES****16 MARCH 2017**

---

**COMMUNITY COUNCIL ANNUAL BY-ELECTION 2016**

---

**1.0 EXECUTIVE SUMMARY**

The report provides statistical information about the 2016 Community Council By-Elections which took place in November 2016 and reflects generally on the membership position within the 56 community councils established in Argyll and Bute since the current Scheme for the Establishment of Community Councils came into effect in October 2013.

The current Scheme provides 2 opportunities per annum for Community Councils to increase their membership numbers. The first being by co-option at the AGM (between 1<sup>st</sup> April and 30<sup>th</sup> June) and the second is the annual by-election in the Autumn. The by-election is required to formalise any co-option which community councils may put in place at their AGMs. Both opportunities are valued by community councils who see the benefit in increasing membership numbers to assist with their workload.

Community councils are generally in good health in terms of their membership with all 56 currently quorate and 79.5% of all community councils now have over 70% membership. There has been an overall rise in membership levels since 2013 by 11% (net increase) which the report looks at in more detail.

In terms of implications, there is a risk that community councils would become inquorate should there not be opportunities within the Scheme for increasing membership during the 4 year term. There is also no current provision for those under 18 to stand or vote in community council elections which is no longer consistent with Local Government Election Rules however, this can only be amended by altering the Scheme and as the Scheme is in the final year, this amendment will be incorporated as part of the upcoming review process.

The report is for information only although the Committee may of course choose to make any recommendations, especially in view of the fact that the current Scheme is nearing the end of its quadrennial term and will be the subject of a future report to the new Council.

---

**ARGYLL AND BUTE COUNCIL**

**POLICY AND RESOURCES  
COMMITTEE**

**CUSTOMER SERVICES**

**16 MARCH 2017**

---

**COMMUNITY COUNCIL ANNUAL BY-ELECTION 2016**

---

**2.0 INTRODUCTION**

- 2.1 The 2016 community council by-elections took place on 10 November following a lead in period which commenced on 13 September 2016. This report provides some detail and statistics about the by-elections which show Argyll and Bute community councils to be overall in good shape as regards their membership levels.

**3.0 RECOMMENDATIONS**

- 3.1 The Committee notes the position regarding membership of the 56 Argyll and Bute community councils following on from the final by-election in the quadrennial scheme.

**4.0 DETAIL**

- 4.1 Argyll and Bute has 56 Community Councils. 19 in the Mid Argyll, Kintyre and the Islands Area; 17 in the Oban, Lorn and the Isles Area; 12 in the Bute and Cowal area; and 8 in the Helensburgh and Lomond Area. While all 56 are quorate, 1 community council (Campbeltown) sits at 50% membership which is the minimum membership permitted. All other community council membership numbers vary from 62.5% to 100%. 14 Community Councils currently have 100% membership which is the highest recorded number of community councils with full membership during the current 4 year term.
- 4.2 This year's by-election saw 47 of our 56 community councils participate (15 from MAKI, 14 OLI, 10 B&C and 8 H&L). Six community councils had 100% membership and therefore no need to participate and 3 chose not to opt into the process. A total of 180 vacancies were advertised with 73 valid nominations received. This resulted in one contest for Helensburgh Community Council who had 7 valid nominations for 6 places. A postal ballot took place with around 11,000 postal packs being issued and a turnout rate of 25.6%. The results were declared following a count conducted on 11 November 2016. Overall 72 community councillors were elected (40% of the vacancies advertised) and an additional 8 Community Councils now have full membership bringing the total to 14.

Unfortunately, 12 community councils (7 in MAKI, 4 in OLI and 1 in B&C) received no valid nominations. It is hoped that they will successfully recruit additional members at their 2017 AGMs.

- 4.3 The provision for co-option and annual by-elections within the Scheme has successfully increased overall membership from 68.5% with, or higher than, 70% membership (when the Scheme can into effect in October 2013) to the current figure recorded of 79.5% with 70% or higher membership. The table below looks at the impact co-option and by-elections have had on membership figures

Year	Membership before Co-option or By-election	Membership after C-option (C) or By-Election (B)	Increase in Membership
2013	68.5% (after full elections)	n/a	n/a
2014	68.5%	69.1% (C)	0.6%
2014	69.1%	78.2% (B)	9.1%
2015	78.2%	78.4% (C)	0.2%
2015	78.4%	78.7% (B)	0.3%
2016	78.7%	82.3% (C)	3.6%
2016	73.7%	79.5% (B)	5.8%
		<b>Total</b>	<b>19.6%</b>

## 5.0 CONCLUSION

- 5.1 The 2016 by-election has again been successful by increasing overall membership levels within our community councils.
- 5.2 Provisions for a review of the current scheme and the next period of elections will come forward to the new council at an early date.

## 6.0 IMPLICATIONS

- 6.1 Policy – None, running annual by-elections are consistent with policy.
- 6.2 Financial – None, these costs are absorbed within the overall budget
- 6.3 Legal – None, election rules are adhered to as part of the process
- 6.4 HR – None, elections are conducted by staff in addition to their other roles
- 6.5 Equalities – At present those under 18 are not permitted to stand or vote in CC elections. There is a commitment to review this as part of the next Scheme
- 6.6 Risk – By not providing opportunities for community councils to increase their membership there is a risk that they become inquorate and unable to perform their statutory role
- 6.7 Customer Service – None, there are a range of options for submitting nomination forms such as email, in person at one of the

council Service points or by post.

**Executive Director of Customer Services – Douglas Hendry**

**Policy Lead – Councillor Robin Currie**

9<sup>th</sup> March 2016

**For further information contact:** Melissa Stewart, Area Governance Officer,  
Kilmory, Lochgilphead – 01546 604331

---

**ARGYLL AND BUTE COUNCIL****POLICY & RESOURCES COMMITTEE****CUSTOMER SERVICES****16 MARCH 2017**

---

**SCOTTISH GOVERNMENT FUNDING FOR WELFARE REFORM AND DISCRETIONARY HOUSING PAYMENTS – REPORT ON SPEND TO DATE AND FUTURE PROPOSALS**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1 The Council was allocated additional grant monies by the Scottish Government in March 2014 to be used in order to provide additional Discretionary Housing Payments (DHPs) to mitigate the impact of the spare room subsidy also known as the “bedroom tax” in Argyll and Bute. This was additional to the core DHP funding provided by The Department of Work and Pensions (DWP). In March 2016 Policy & Resources Committee approved the carry forward of the balance of earmarked funds estimated at £232.1k for a number of proposals for their use related to welfare reform mitigations. It also approved the carry forward of the balance of DHP monies estimated at £30k into 2016/17 to be used to maintain current priorities supported.
- 1.2 The carry forward underspend for DHP from 2015/16 was £35,730. So the total for DHP was £603,675 for 2016/17. Our updated estimate is that there may be c. £20,000 unspent at 31 March 2017, which could be carried forward to 2017/18 and approval is sought for this. There has been an increase in the demand for DHPs in 2016/17 as a result of the implementation of the Benefit Cap in November 2016. DWP has recently advised us that just over 30 families are affected by the benefit cap in our area. Additional demand is also expected from impending changes that will restrict housing benefit for those in temporary accommodation. DHP funding has not yet been announced for 2017/18. However it is highly likely that the service will require the proposed £20,000 carry forward to mitigate these additional demands in 2017/2018.
- 1.3 This report provides an update on the spending against welfare reform mitigations. It seeks approval for the carry forward of the unspent balance to be used in a continuation of this work. There was a delay in recruiting the Welfare Rights Assistants. Carrying forward £30,200 to 2017/2018 would allow the posts to be retained for the full 12 month term and ensure that client income is maximised over the period. Additionally £15,000 could be used to fund an anticipated overspend on Scottish Welfare Fund claims in 2016/17 as these claims have risen significantly this year. The balance of £15,700 could be carried forward for a similar purpose in 2017/18 as this fund is under increasing pressure in our area.

---

**ARGYLL AND BUTE COUNCIL****POLICY & RESOURCES COMMITTEE****CUSTOMER SERVICES****16 MARCH 2017**

---

**SCOTTISH GOVERNMENT FUNDING FOR WELFARE REFORM AND  
DISCRETIONARY HOUSING PAYMENTS – REPORT ON SPEND TO DATE AND  
FUTURE PROPOSALS**

---

**2.0 INTRODUCTION**

- 2.1 The Council was allocated additional grant monies by the Scottish Government in March 2014 to be used in order to provide additional Discretionary Housing Payments (DHPs) to mitigate the impact of the spare room subsidy also known as the “bedroom tax” in Argyll and Bute. This was additional to the core DHP funding provided by The Department of Work and Pensions (DWP). In March 2016 Policy & Resources Committee approved the carry forward of the balance of earmarked funds estimated at £232.1k and a number of proposals for their use related to welfare reform mitigations. It also approved the carry forward of the balance of DHP monies estimated at £30k into 2016/17 to be used to maintain current priorities supported.
- 2.2 This report provides an update on the spending against welfare reform mitigations and estimates that £45,900 will be unspent at 31 March 2017. It seeks approval for the carry forward of the unspent balance to be used in a continuation of this work. Approval is also requested for the carry forward of the expected underspend of £20,000 DHP monies from this year end.

**3.0 RECOMMENDATIONS**

- 3.1 Policy & Resources Committee is asked to note the information provided in respect of progress made, and the estimate of projected expenditure to 31 March 2017 of £186.9k from the balance of Scottish Government funding for DHPs of £232.8k at 1 April 2016.
- 3.2 The Committee approves the continued carry forward of the balance of this as earmarked funds estimated at £45.9k and approves the proposals for their use as summarised at 4.6 – 4.9.
- 3.3 The Committee approves the carry forward of the balance of the unspent 2016/17 DHP monies estimated at £20,000 as earmarked funds to be used to fund DHP payments in 2017/18 in order to help maintain current priority levels into 2017/18.

## 4.0 DETAIL

4.1 There are two figures for earmarked reserves that relate to the government's welfare reforms and to the Discretionary Housing Payment (DHP) spend. The first is in respect of DHPs which had an opening balance of £35,730. The second earmarked reserve is in relation to wider welfare reforms and had an opening balance of £232,796 at 1 April 2016.

### DHPs

4.2 In 2016/2017 the new allocation for DHPs from DWP was £407,881 (a 9.8% increase on 2015/2016 levels). The initial allocation from Scottish Government for 2016/2017 was £54,020 and this was followed by £106,044 which they held back from 2015/2016. The carry forward underspend from 2015/16 was £35,730. So the total for DHP was £603,675 for 2016/17. At the end of January 2017, the council has paid and committed a total of £558,554. We have £45,121 remaining in the fund (including the carry forward funding from last year of £35,730). There are a total of 37 applications outstanding or requiring further information at the end of January and there are some Benefit Cap claims that have yet to be received.

4.3 There has been an increase in the demand for DHPs in 2016/17 as a result of the implementation of the Benefit Cap in November 2016. Just over 30 families are affected by the benefit cap in our area. Expenditure is being kept under very close review. Levels of monthly spend have, however, dropped significantly with only £19,971 being paid or committed in December and £7,690 in January. At this rate of spend we could have c. £20,000 remaining of our earmarked reserve as at 31 March 2017.

4.4 DHP funding has not been announced for 2017/18 by either the DWP or Scottish Government. However, there will be ongoing pressure on DHP funding next year as a result of restrictions to housing benefit payments for temporary accommodation and ongoing pressure to pay DHP to mitigate the Benefit Cap. We therefore request approval to carry forward the estimated £20,000 unspent earmarked reserve to 2017/2018 to enable us to continue to support current priority levels for as long as possible.

4.5 The table below summarises the position with respect to DHP earmarked reserve:

	Planned Spend 2016-17 £	Est. draw down £	Remaining Balance £
Discretionary Housing Payments	35,730	15,730	20,000

### Wider Welfare Reforms Mitigations

4.6 In terms of the earmarked reserve set-aside for the wider welfare reforms, £232,796 was carried forward from 2015/2016 following approval of Policy and Resources Committee in March 2016. The table overleaf shows the updated spend in 2016/2017 and the balance remaining:

Ref	Proposal description	Planned Spend 2016-17 (£'000)	Drawn Down to Budget (£'000)	Additional Spend 2016-17 (£'000)	Remaining Balance (£'000)	Proposed 2017/2018 (£'000)	Comment
1	Digital access expansion – additional courses delivered by Adult Learning and Literacy	80	80	0	0	0	Fully spent.
2	ACHA bid to Peoples and Communities Fund	10	0	10	0	0	Funding spent
3	Personal budgeting support through housing support contracts	30	0	0	30	0	Funding not required, volumes have not materialised
4	Additional Throughcare Workers	49.4	49.4	0	0	0	Funding spent
5	Welfare Rights Officer	52.7	22.5	0	30.2	30.2	Spend up to October 2017
6	Argyll Net Works bid to People and Communities Fund	10	0	10	0	0	Funding spent
	Unallocated	0.7	0	0	0.7	0	
	<b>TOTAL</b>	<b>232.8</b>	<b>151.9</b>	<b>20</b>	<b>60.9</b>	<b>30.2</b>	
7	<u>New proposal</u> Extension of Scottish Welfare Fund Support	0	0	15	(15)	15.7	Additional monies required for Crisis Grants 16/17 and 17/18
	<b>TOTAL</b>	<b>232.8</b>	<b>151.9</b>	<b>35.7</b>	<b>45.9</b>	<b>45.9</b>	

### Proposal 5 - Welfare Rights Support

- 4.7 Demand for Welfare Rights support continues in light of the ongoing restrictions to welfare imposed by the government. The move from Disability Living Allowance to Personal Independence Payments is still transitioning in Argyll and Bute and these earmarkings supported the employment of 2 temporary Welfare Rights Assistants at LGE6 to cover the Helensburgh and Islay localities in 2016/2017. The posts were not filled until October 2016 and therefore £30,200 needs to be carried forward to cover the costs of employing the staff for a full 12 month period to the end of September 2017. This will cost **£30,200** in 2017/2018.

### New Proposal 7 – to extend Scottish Welfare Fund support

- 4.8 The original monies included £33.7k for the extension of the Scottish Welfare Fund. However spend was contained well within budget within 2015/16 and this was expected to continue into 2016/17 as the underspend was carried forward (as required by Scottish Government) into that year. However the demand has been much higher in 2016/17 and we are expecting to overspend by c £15,000. We have contained spend as much as possible by only awarding high most compelling cases only in February and March 2017, and having previously reduced priorities to high only from 10 October 2016. We are therefore seeking approval to cover this expected overspend from these earmarkings and to carry forward a further **£15,700** required for 2017/2018 for the same purpose.

### Summary of proposals

- 4.9 A summary of how the unspent monies could be utilised is set out below:

Ref	Proposal description	2017/2018 Proposed £'000s
5	Additional welfare rights assistants to September 2017	30.2
7	Extension to Scottish Welfare Fund	15.7
	<b>TOTAL</b>	<b>45.9</b>

### Carry forward of the funding

- 4.10 Approval is therefore requested to continue to carry forward £45,900 as earmarked reserves to 2017/2018.

## 5.0 CONCLUSIONS

- 5.1 The funds have not been fully utilised in 2016/17 as originally planned for a number of reasons explained above. This report seeks approval to continue to carry forward £45,900 as earmarked reserves which will be utilised to support claimants affected by the government's welfare reforms. Proposals are put forward for how these remaining funds could be utilised.

## 6.0 IMPLICATIONS

- 6.1 Policy: In line with existing policy for DHPs. In line with corporate plan corporate objective 1 – working together to realise the potential of our people.
- 6.2 Financial: This paper provides proposals on utilising the balance of the monies received from Scottish Government in March 2014. It also seeks approval to carry forward the unspent balance of the DHP monies from Scottish Government received in 2016/17 to be spent on DHPs in 2017/2018 to offset new pressures.
- 6.3 Legal: None
- 6.4 HR: None
- 6.5 Equalities: Groups with protected characteristics are expected to benefit particularly from these proposals as they are more highly represented in benefit claimants adversely affected by welfare reforms
- 6.6 Risk: These proposals reduce the risk of more major interventions being required to support these vulnerable families at a later stage and will enable them to be better prepared for the introduction of Universal Credit in our area.
- 6.7 Customer Service: These targeted interventions provide valuable support to vulnerable citizens.

**Douglas Hendry**  
**Executive Director Customer Services**  
**14 February 2017**

### **Policy Lead: Councillor Dick Walsh**

For further information please contact Judy Orr, Head of Customer and Support Services Tel 01586-555280 or Fergus Walker, Revenues and Benefits Manager Tel 01586-555237

### Background papers

Scottish Government funding for Welfare Reform and Discretionary Housing Payments – report on spend to date and future proposals: Policy & Resources Committee 19 March 2015

Scottish Government funding for Welfare Reform and Discretionary Housing Payments – report on spend to date and future proposals: Policy & Resources Committee 17 March 2016

---

**ARGYLL AND BUTE COUNCIL****POLICY AND RESOURCES COMMITTEE****DEVELOPMENT AND  
INFRASTRUCTURE SERVICES****16<sup>th</sup> March 2017**

---

**ARGYLL AND BUTE EMPLOYABILITY TEAM – UPDATE ON FINANCIAL  
POSITION AND SERVICE PROVISION**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide the members of the Policy and Resources Committee with an update on the current financial position of the Argyll and Bute Council's Employability Team. In addition, the paper outlines the secured service provision until the end of March 2017 and the potential employability provision for the next financial year, 2017/18.
- 1.2 Welfare to Work services will be devolved to Scotland from the 1<sup>st</sup> April 2017. To manage this significant policy change from a UK to a Scottish level, the Scottish Government is treating the financial year 2017/18 as a transition year. Therefore, employability service provision opportunities will be packaged to cover 2017/18 in the first instance. During 2017/18 the Scottish Government intends to focus on provision post 1<sup>st</sup> April 2018 which may be over a number years, as per previous UK Government programmes, rather than an annual focus.
- 1.3 In order to meet the Employability Team's ongoing contractual obligations until the end of 2017/18, with the minimal necessary staffing complement, it was agreed at the Policy and Resources Committee on 29<sup>th</sup> October 2015, endorsed by Argyll and Bute Council at the full council meeting on 29<sup>th</sup> November 2015, that an indicative net cost of £455,917 would be covered by Argyll and Bute Council's earmarked reserves as a one-off cost.
- 1.4 These above committee papers also noted the intent of the Employability Team to actively pursue potential additional income streams. The paper outlines additional current and potential provision. This is summarised as follows:
  - delivery of the Employability Fund across Argyll and Bute on behalf of Skills Development Scotland (SDS) for the final quarter of 2016/17;
  - invitation to deliver the Work Able Scotland contract across Argyll and Bute only during 2017/18 on behalf of Progress Scotland which has successfully secured the contract for delivery across the Highlands and Islands package area;
  - tender documents submitted to SDS for the delivery of the Employability Fund across Argyll and Bute during 2017/18; and
  - ad hoc employability service provision, within short timescales, such as the delivery of discrete courses for Jobcentre Plus during 2017/18.

- 1.5 Secured and potential service provision has not incurred or will incur any additional operational expenditure as the funding models associated with this provision are based on a progressive approach, with recruitment payments at the outset and rural uplift payments eligible for all customers in Argyll and Bute.
- 1.6 Provision during 2017/18 will be delivered in partnership with the Council's Adult Learning and Literacies Service, given that this service hosts the Argyll and Bute Community Learning Scottish Qualifications Assessment (SQA) Centre, and will provide the administration and support to achieve the SQA's requirements for registration, internal verification, and submission of work in order that Employability Fund participants, for example, can access, and have the best chance of achieving, the appropriate Scottish Credit and Qualifications Framework (SCQF) credits.
- 1.7 Secured provision will hopefully be confirmed by mid-March 2017 and in time to allow for a verbal officer update at the Policy and Resources Committee.
- 1.8 The potential income to be derived for the Argyll and Bute Council's Employability Team from current and anticipated service provision is £148,585. **Please note the figures quoted are rough estimates at this time and need to be used with care.**
- 1.9 Members are asked to
  - Note the content of this paper and in particular the **estimated** additional income stream of £148,585 that could be generated to reduce the one-off call on earmarked reserves by the end of 2017/18.

---

**ARGYLL AND BUTE EMPLOYABILITY TEAM – UPDATE ON FINANCIAL  
POSITION AND SERVICE PROVISION**

---

**2.0 INTRODUCTION**

2.1 The purpose of this report is to provide the members of the Policy and Resources Committee with an update on the current financial position of the Argyll and Bute Council's Employability Team. In addition, the paper outlines the secured service provision until the end of March 2017 and the potential employability provision for the next financial year, 2017/18.

**3.0 RECOMMENDATIONS**

3.1 Members are asked to:

- Note the content of this paper and in particular the **estimated** additional income stream of £148,585 that could be generated to reduce the one-off call on earmarked reserves by the end of 2017/18.

**4.0 DETAIL**

4.1 The overarching remit for the council's Employability Team is to assist long term unemployed people into sustainable employment. Since the service's inception in 1999, the team has developed a preventative approach to employment support for the most vulnerable individuals across Argyll and Bute and has enabled cost savings elsewhere, particularly on health issues, given the significant correlations between unemployment, low income and health outcomes.

4.2 In order to meet the Employability Team's ongoing contractual obligations until the end of 2017/18, with the minimal necessary staffing complement, it was agreed at the Policy and Resources Committee on 29<sup>th</sup> October 2015, endorsed by Argyll and Bute Council at the full council meeting on 29<sup>th</sup> November 2015, that an indicative net cost of £455,917 would be covered by Argyll and Bute Council's earmarked reserves as a one-off cost.

4.3 The forecast position for the end of March 2016/17 and 2017/18 is as detailed in **Table 1** overleaf. With detailed input from Strategic Finance the anticipated end position by the 31<sup>st</sup> March 2018 is forecast to be £385,614. This equates to £70,305 less than anticipated. However, **it should be noted that this excludes potential income that could be earned until the end of March 2017 and to the end of March 2018.** Therefore, it is hoped that the anticipated end position is more favourable than that forecast at present.

<b>Table 1: Employability Team – Anticipated Financial Position at 31<sup>st</sup> March 2018</b>				
<b>Costs</b>	<b>Position at end of March 2016</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Anticipated end position, end of March 2018</b>
Staffing costs		£170,133	£142,268	£312,401
Running costs/expenditure (e.g. staff travel, premises, etc but excluding salaries)		£71,239	£70,489	£141,728
Mandatory Work Activity Programme (MWA)		£5,040		£5,040
Community Work Placement (CWP)		£13,843		£13,843
<b>All DWP contractual income only</b>				
Actual		£-264,887		£-264,887
Projected		£-57,986	£106,827	£-164,813
<b>Costs related to partner payments</b>				
Actual		£151,576		£151,576
Projected		£34,836	£55,696	£90,532
Net contractual income (income – partner costs)		£-136,462	£-51,131	£-187,593
<b>Non DWP secured income</b>				
Mandatory Work Activity Programme (MWA)		£-8,190		£-8,190
Community Work Placement (CWP)		£-75,161		£-75,161
ERI		£-13,473		£-13,473
Contribution from Economic Development with regard to ESF application preparation and Scottish Employer Recruitment Incentive (SERI)		£-3,000	£-3,000	£-6,000
<b>Balance</b>		<b>£23,970</b>	<b>£158,626</b>	<b>£182,596</b>
Estimated Redundancy costs				£68,556
Balance in Account	£134,462			£134,462
<b>Estimated net cost</b>	<b>£134,462</b>	<b>£23,970</b>	<b>£158,626</b>	<b>£385,614</b>

- 4.4 The approval of the funding support to cover the staffing costs and operational activities of the Employability Team until the end of March 2018 was also based on the requirement for the team to actively pursue potential additional income streams to offset the call on earmarked reserves. Secured and potential service provision has not incurred or will incur any additional operational expenditure as the funding models associated with this provision are based on a progressive approach, with recruitment payments at the outset and rural uplift payments eligible for all customers in Argyll and Bute.
- 4.5 Further to an operational decision taken by senior officers, the Employability Team, in partnership with the Council's Adult Learning and Literacies Service, is currently delivering the Employability Fund on behalf of SDS for the final quarter of 2016/17.
- 4.6 SDS has allocated a maximum of 35 places (13 Stage 2 and 22 Stage 3) to the Employability Team, which will require input from the Adult Learning and Literacies Service. All places must start no later than 31<sup>st</sup>

March 2017. Details on the Employability Fund aims, stages, eligible participants and referrals are outlined in **Appendix A**.

## Secured and Potential Service Provision 2017/18

4.7 Potential service provision for 2017/18 is summarised as follows:

- invitation to deliver the Work Able Scotland contract across Argyll and Bute **only** during 2017/18 on behalf of Progress Scotland which has successfully secured the contract for delivery across the Highlands and Islands package area;
- tender documents submitted to SDS on 26<sup>th</sup> January 2017 for the delivery of the Employability Fund across Argyll and Bute during 2017/18. The contract will be awarded to successful providers mid-March (hopefully prior to the P&R Committee) for commencement on 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018; and
- ad hoc employability service provision, within short timescales, such as the delivery of discrete courses for Jobcentre Plus during 2017/18 further to the launch of a new online Dynamic Purchasing System (DPS). Courses may last one day or up to four weeks or longer, depending on the topics covered and the desired outcome. Income will be generated only if the council is selected to deliver a particular course, with a fee per participant, for customers in the Argyll and Bute area. It may be that no provision is secured through the DPS. Therefore, it is difficult to forecast an income stream from this opportunity.

A summary of the aims of these contracts are presented in **Appendix B**.

## Summary of Income Generation Opportunities

4.8 The potential income to be generated by Argyll and Bute Council's Employability Team from current and anticipated service provision is summarised in **Table 2** below. **Please note the figures quoted are rough estimates at this time and need to be used with care.**

<b>Table 2: Estimated Income Generation for the Employability Team</b>	
<b>2016/17</b>	<b>Estimated Income</b>
Employability Fund (if all starts attained)	£41,377.50
<b>2017/18</b>	<b>Estimated Income</b>
Work Able Scotland	£30,300 (minus unknown income to Adult Learning and Literacies Service)
Employability Fund (if all provision secured for Stages 2 and 3)	£76,907.50
DWP	Unknown
<b>Total estimated potential income = £148,585</b>	

## Risks

- 4.9 **Table 3** below outlines the risks associated with the delivery of employability services and how these will be addressed. A value score of between 1-5 has been deemed as low risk (green); a value score of between 6-12 represents medium risk (amber) and a value score of between 15-25 has been deemed as high risk (red).

<b>Table 3: Risks Associated with Employability Provision</b>				
<b>Financial Risk</b>				
<b>Description</b>	<b>Prob</b>	<b>Impact</b>	<b>Value</b>	<b>Action to mitigate risks</b>
Employability service provision – costs of delivery outweigh the income generated.	1	5	5	The funding models are based on a progressive approach rather than an outcome based model associated with initiatives such as the DWP Work Programme.
Council spends money which it cannot reclaim from main provider due to non-compliance with financial record keeping.	1	4	4	With direct input from Strategic Finance, robust systems will be put in place to monitor spend and claims to the main provider, to ensure compliance with programme rules.
<b>Operational Risks</b>				
<b>Description</b>	<b>Prob</b>	<b>Impact</b>	<b>Value</b>	<b>Action to mitigate risks</b>
Inappropriate referral	1	5	5	This would add a time pressure on achieving the full number of referrals. A quick turnaround from referral to induction will mitigate the effects of this and allow for a quick replacement candidate.

## 5.0 CONCLUSION

- 5.1 This report provides members with an overview of the current financial position of the Council's Employability Team and the potential estimated income generation from current and potential service delivery until the end of March 2018.
- 5.2 Current and anticipated provision will be delivered in partnership with the Council's Employability Team and Adult Learning and Literacies Service through contracts directly with SDS (Employability Fund), with Progress Scotland (Work Able Scotland, managed by SDS) and potentially on an ad hoc basis with Jobcentre Plus where provision will be selected only through the new online DPS.
- 5.3 By working together, the Employability Team and the Adult Learning and Literacies Service are able to offer a unique approach to delivery of the employability provision across Argyll and Bute. Through combining skills, strengths and experience this approach will allow for maximum benefit to be delivered to vulnerable individuals across the whole of Argyll and Bute's rural, remote rural and islands communities through existing employability professionals.

## 6.0 IMPLICATIONS

- |     |                   |  |
|-----|-------------------|--|
| 6.1 | Policy            | The current and proposed employability service provision fits and contributes to <i>Outcome 3: Education, skills and training maximises opportunities for all</i> and <i>Outcome 5: People live active, healthier and independent lives</i> within the Local Outcome Improvement Plan.         |
| 6.2 | Financial         | The funding models have a progressive payment structure which includes upfront costs (including a rural uplift payment) prior to a final outcome payment.  |
| 6.3 | Legal             | All appropriate legal implications will be taken into consideration.   |
| 6.4 | HR                | The delivery of current and potential employability services will be taken forward by the existing staffing complement of five staff within the Council's Employability Team and with Adult Learning and Literacies staff supplemented by Adult Learning and Literacies tutors as appropriate. |
| 6.5 | Equalities        | Delivery of the all contracts will comply with all Equal Opportunities policies and obligations.   |
| 6.6 | Risk              | See <b>Table 3</b> in the main report.   |
| 6.7 | Customer Services | None.  |

**Pippa Milne, Executive Director of Development and Infrastructure**  
**Cllr Aileen Morton, Policy Lead for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism)**  
21<sup>st</sup> February 2017

**For further information contact:**

Ishabel Bremner, Economic Growth Manager, tel: 01546 604375, e-mail:  
[ishabel.bremner@argyll-bute.gov.uk](mailto:ishabel.bremner@argyll-bute.gov.uk)

## Appendix A: Employability Fund

Employability Fund activity aims to support employability, vocational training and employment opportunities linked to the local labour market which falls within Stages 2 to 4 of the nationally recognised Strategic Skills Pipeline. The nature of content expected from the Strategic Skills Pipeline is outlined in **Table A1** below.

<b>Table A1: Strategic Skills Pipeline (SSP) – Stages 2 to 4</b>	
<b>Stage</b>	<b>Nature of Content Expected</b>
Stage 2	Provision should create a foundation upon which individuals can build their employability skills, personal development and core skills.
Stage 3	Provision should support individuals in preparing for and sustaining employment, including entry to Modern Apprenticeships.
Stage 4	SDS approved industry specific provision should directly enable individuals to access sustained employment.

A proposed participant is eligible for Employability Fund activity if he/she:

- has been assessed as requiring interventions which fall within Stages 2 to 4 of the Strategic Skills Pipeline;
- is ineligible for support under the DWP Work Programme; and
- is within one of the following categories:
  - those aged 17 and under, who have reached their statutory school leaving date and not in education, employment or training;
  - those aged 18 and over who are in receipt of DWP benefits and have been unemployed for a period of 13 weeks or more (doesn't include those in receipt of Universal Credit who are earning);
  - those under threat of redundancy and are within 13 weeks of their notified date of redundancy; or
  - those who are 18 and over, not in receipt of benefit and not in education, employment or training.

Referrals to the Employability Fund come from a number of referring organisations, which includes Argyll and Bute Council as presented in **Table A2** below.

<b>Table A2: Referring Organisations</b>	
<b>Referring Organisation</b>	<b>Designated Staff</b>
SDS	SDS Regional Operations staff
DWP	DWP Jobcentre Plus staff
Argyll and Bute Council	The Local Employability Partnership e.g. post school departments such as Community Learning and Development. Opportunities under the Council's Modern Apprenticeship Programme.
Argyll College, UHI	Appropriate Argyll College UHI staff
Employability Fund Training Providers	Each agency with a current SDS contract for delivery of the Employability Fund shall decide which staff can make referrals to the Employability Fund e.g. Employability Team Area Team Leaders and Adult Learning staff.

## **Appendix B: Secured and Potential Contracts for 2017/18**

### **Work Able Scotland Contract**

The Work Able Scotland contract is a key part of Scotland's new employability services. The initial one-year contract, which will be managed by Skills Development Scotland (SDS), will come into effect from 1<sup>st</sup> April 2017 and provide continuity of support for those who need it most.

Argyll and Bute Council's Employability Team has been invited to deliver the Work Able Scotland contract on behalf of Progress Scotland (a consortium between Working Links and Lennox Partnership) for the financial year 2017/18 commencing on 1<sup>st</sup> April 2017.

The aim of this provision is to:

- support Work Able Scotland customers into sustainable jobs through the provision of high quality employment support to those with health conditions who want to enter the labour market and for whom the achievement of a job outcome is a reasonable objective within the period of 52 weeks, (a job outcome will be defined as 16 hours or more per week for a period of 6 weeks); and
- work in partnership with stakeholders to establish support that achieves high quality outcomes.

To be eligible customers must be:

- 18 years and over;
- not in employment;
- in receipt of Employment and Support Allowance or Universal Credit equivalent;
- eligible and assessed as capable of progressing into work within a 12 month period; and
- want to work.

The length of support for all customers will be 52 weeks in line with the requirements of the Scotland Act 2016. Referrals to the programme are capped. It is anticipated that Argyll and Bute Council will be allocated 17 starts to deliver during 2017/18 with an estimated income generation of £30,300.

### **Employability Fund Provision for 2017/18**

Argyll and Bute Council (the Employability Team in partnership with the Adult Learning and Literacies Service) submitted an Employability Fund tender to SDS on 26<sup>th</sup> January 2017. The contract will be awarded to successful providers mid-March (hopefully prior to the P&R Committee) for commencement on 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018. The provision will mirror that as detailed earlier in the report.

Referrals to the Employability Fund will come from the same source as under the current 2016/17 contract. The tender bids to deliver the 44 starts allocated by SDS under Stage 2 (33, 16-17 year olds; 11, 18+ years) and 55 starts under Stage 3 (33, 16-17 year olds; 22, 18+ years). The optimal potential income generation if all the starts bid for are successfully allocated to Argyll and Bute Council is circa £77,000.

### **Provision for the Department for Work and Pensions (DWP)**

The DWP has launched a Dynamic Purchasing System (DPS) as a new way of delivering local provision which will operate in all Jobcentre Plus (JCP) districts in England, Scotland and Wales. The DPS comprises an "Employability Journey" which details a number of Service Categories along with supporting narratives to explain what type of provision DWP will be buying. The DPS has been redeveloped as an accreditation portal for Welfare to Work providers to enter into contracts via the Basware online contracting system.

All potential employability providers need to become accredited on the DPS portal in order to be considered for delivery. Further to an operational decision by senior officers, Argyll and Bute Council successfully registered on Basware as a supplier of work focused activities to the DWP on the 30<sup>th</sup> of September 2016. Upon accreditation service providers are asked to upload service delivery factsheets in one or more of the service provision categories as follows:

- 1: engagement;
- 2: moving towards work;
- 3: support for hardest to help with complex and multiple barriers;
- 4: supporting hardest to help into work;
- 5: addressing barriers;
- 6: skills for work;
- 7: getting jobs; and
- 8: keeping jobs.

Factsheets have been prepared and uploaded by the Employability Team and the Adult Learning and Literacies Service.

Both of these council services propose to deliver tailored sessions according to their strengths e.g. the Employability Team has many years of experience in delivering soft skills (confidence building, interpersonal communication, interview techniques, motivation) and work placements, whereas Adult Learning and Literacies is accredited by the SQA to deliver digital, literacy, numeracy and employability skills. The intention is to deliver across all categories (some provision will be provided by both services for discrete elements of each category) with the exception of the first category.

The main requirement of this new method of purchasing provision is that the courses are short and targeted to a specific labour market need. Courses may last one day or up to four weeks or longer, depending on the topics covered and the desired outcome. Income will be generated only if one of the services is selected to deliver a particular course, with a fee per participant, for customers in the Argyll and Bute area. It may be that no provision is secured through the DPS. Therefore, it is difficult to forecast an income stream from this opportunity.

---

**ARGYLL AND BUTE COUNCIL****POLICY & RESOURCES COMMITTEE****DEVELOPMENT & INFRASTRUCTURE  
SERVICES****16 March 2017**

---

**LORN ARC - UPDATE REPORT AS AT 31 JANUARY 2017**

---

**1. EXECUTIVE SUMMARY**

- 1.1 Since the last progress update in October 2016, the following matters have been progressed.
- 1.2 The last TIF Executive meeting with Scottish Government (“SG”) and Scottish Futures Trust (“SFT”) took place on the 5<sup>th</sup> December 2016, where the financial model update that took into account a property market conditions review was reported. The Commercial Agent’s (Ryden) report, taken together with Argyll & Bute Council’s (“ABC’s”) own knowledge of the prevailing local market conditions, suggests that timing and magnitude of future development and the associated incremental Non Domestic Rates (“NDR”) generation is unlikely to be forthcoming as anticipated in the 2013 Full Business Case (“FBC”). The result of this re-modelling exercise is that in all cases (best to worst case scenarios), there is a cash sweep deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrates that, in the present form, the full TIF programme of £14.74m is not currently affordable, based on the current NDR assumptions. It should be noted however, that the current level of approved drawdown (£1.388m, of which £0.664m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project.
- 1.3 No one event or issue has led to the current affordability position, rather a combination of a number of factors such as change in property market assumptions, new business eligibility for the Scottish Government reliefs & exemptions in terms of NDR, change in Government support for the renewables industry and change in land ownership at the Barcaldine site.
- 1.4 Given the critical nature of delivering the Project to the local area, the programme of works can be considered live and the planning and scoping of individual projects continues to be progressed. Notwithstanding this progress, the project team continues to take a cautious and prudent approach in terms of delivery and the drawdown of any further TIF Debt will continue to be subject to affordability testing and internal governance processes as outlined in the Project Initiation Document (“PID”). In this regard the Council are seeking assurance from SG and SFT that both parties will work with us to identify alternative funding sources and/ or new financing models, for the programme of works, in order that critical economic and social outcomes are secured for the Argyll & Bute area.
- 1.5 The project team remains fully committed to delivering a programme of enabling infrastructure in the Lorn Arc area, which will bring wide ranging economic and social benefits at both a local and national level. In fact, the Project has already delivered positive outcomes for Argyll & Bute in terms of enabled development, NDR creation and an increase in local community and business confidence.
- 1.6 Argyll & Bute Council has submitted a letter, signed by the Leader of the Council and the Policy Lead for Sustainable Economic Development, seeking confirmation from the Scottish Government of their willingness to engage with us to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its

associated social and economic outcomes.

- 1.7 In addition, an options appraisal is being undertaken on how best to proceed with the development of the proposed Oban Airport Business Park, which will be presented to the first appropriate OLI Area Committee and Policy & Resources Committee.
- 1.8 Budget: Detailed below is the current budget position for both the revenue and capital approved budget allocations.

<b>REVENUE</b>	<b>£000s</b>
Total approved funds	1,607
Total project spend to date January 2017	322
Balance	1,285
<b>CAPITAL</b>	<b>£000s</b>
Total borrowing approved	1,388
Total project spend to date January 2017	664
Balance	724

- 1.9 It is recommended that the Policy & Resources Committee:
- Note the current position of the Lorn Arc Programme, was presented to the January 2017 OLI Area Committee for information.
  - Note that Argyll and Bute Council has sent a letter to Derek MacKay MSP (Cabinet Secretary for Finance and the Constitution) formally requesting confirmation from Scottish Government of their intention to engage with us to find an alternative approach for the delivery of the Lorn Arc programme and its associated outcomes.
  - Agree that on reply from Scottish Government that a more substantive report be prepared and reported to the first appropriate Council Committee.
  - Agree that on reply from Scottish Government, the Lorn Arc project team will be delegated the authority to engage with Scottish Government officials and SFT on potential solutions and alternative funding/ financing models.
  - Note that work continues on all current project sites.

---

**LORN ARC - UPDATE REPORT AS AT 31 JANUARY 2017**

---

**2. INTRODUCTION**

- 2.1 This report provides the Policy & Resources Committee with an update on progress in relation to the review of the commercial market and affordability assumptions in the 2013 Lorn Arc Business Case, the latest position with regard the delivery of the individual projects, and the latest budget position as at the end of January 2017.

**3. RECOMMENDATION**

- 3.1 It is recommended that the Policy & Resources Committee:
- Note the current position of the Lorn Arc Programme, was presented to the January 2017 OLI Area Committee for information.
  - Note that Argyll and Bute Council has sent a letter to Derek MacKay MSP (Cabinet Secretary for Finance and the Constitution) formally requesting confirmation from Scottish Government of their intention to engage with us to find an alternative approach for the delivery of the Lorn Arc programme and its associated outcomes.
  - Agree that on reply from Scottish Government that a more substantive report be prepared and reported to the first appropriate Council Committee.
  - Agree that on reply from Scottish Government, the Lorn Arc project team will be delegated the authority to engage with Scottish Government officials and SFT on potential solutions and alternative funding/ financing models.
  - Note that work continues on all current project sites.

**4. DETAILS**

- 4.1 The following matters have been progressed since the last update in October 2016.
- 4.2 ***Review of commercial market and affordability assumptions in FBC*** – The Full Business Case (FBC) was developed in 2013 and approved in May 2014, awarding the Project TIF pilot status. At that time the Project was selected against a number of criteria, and provided SG and SFT an opportunity to assess how the TIF model might operate on a smaller scale project in a rural setting. In parallel, 5 other Councils were awarded TIF pilot status (secondary legislation allows for up to 6 pilots), and since then other Councils have faced their own delivery challenges. 2 of the 6 Councils selected originally are now no longer proceeding with their TIF scheme (it is understood that 1 of these Councils was awarded a Growth Accelerator Model for an alternative project and 1 Council will not proceed due to long term delivery issues). As such SFT and SG are currently undertaking a selection process for 2 further TIF projects, which will be selected bearing in mind lessons learnt from other TIF schemes, including the Lorn Arc scheme.

The last TIF Executive meeting with Scottish Government (“SG”) and Scottish Futures

Trust (“SFT”) took place on the 5<sup>th</sup> December 2016, where the financial model update that took into account a property market conditions review was reported. The Commercial Agent’s (Ryden) report, taken together with Argyll & Bute Council’s (“ABC’s”) own knowledge of the prevailing local market conditions, suggests that timing and magnitude of future development and the associated incremental Non Domestic Rates (“NDR”) generation is unlikely to be forthcoming as anticipated in the 2013 Full Business Case (“FBC”). The result of this re-modelling exercise is that in all cases (best to worst case scenarios), there is a cash sweep deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrates that, in the present form, the full TIF programme of £14.74m is not currently affordable, based on the current NDR assumptions. It should however be noted that the current level of internally approved drawdown (£1.388m, of which £0.664m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project.

- 4.3 No one event or issue has led to the current affordability position, rather a combination of a number of factors such as change in property market assumptions, new business eligibility for the Scottish Government business rates reliefs & exemptions schemes, and a change in land ownership at the Barcaldine site.

Throughout the life of the Project there has been a substantial level of assurance in the governance of the Project, through the various Programme Board and TIF Executive meetings, and a recent audit that concluded a substantial level of assurance as internal control, governance and management of risk is sound. This governance provides added reassurance in relation to the statements about financial management within the affordability.

- 4.4 Given the critical nature of delivering the Project to the local area, the programme of works can be considered live and the planning and scoping of individual projects continues to be progressed. Notwithstanding this progress, the project team continues to take a cautious and prudent approach in terms of delivery and the drawdown of any further TIF Debt will continue to be subject to affordability testing and internal governance processes as outlined in the PID. In this regard the Council are seeking assurance from SG and SFT that both parties will work with us to identify alternative funding sources and/ or new financing models, for our programme of works, in order that critical economic and social outcomes are secured for the Argyll & Bute area.
- 4.5 The project team remains fully committed to delivering a programme of enabling infrastructure in the Lorn Arc area, which will bring wide ranging economic and social benefits at both a local and national level. In fact, the Project has already delivered positive outcomes for Argyll & Bute in terms of enabled development, NDR creation and an increase in local community and business confidence.
- 4.6 Argyll & Bute Council has submitted a letter, signed by the Leader of the Council and the Policy Lead for Sustainable Economic Development, seeking confirmation from the Scottish Government of their willingness to engage with us to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its associated social and economic outcomes.
- 4.7 On reply from Scottish Government, a more substantive report will be prepared on a way forward and will be discussed and agreed by the TIF Executive, and thereafter to the first appropriate Policy & Resources Committee.
- 4.8 The project updates reflect the 2013 FBC and may be subject to change following consideration of the reply from Scottish Government.

- 4.8.1 **Project 1 - Lorn Rd/ Kirk Rd Improvements, Dunbeg** - The first meeting of the Dunbeg Corridor Working Group took place on the 8<sup>th</sup> August 2016 to scope out the meetings and attendees going forward to deliver the Project Plan. These meetings have continued monthly. Other meetings are on-going to include Transport Scotland and Scottish Water, to address the various issues such as the A85 junction capacity, and water and waste capacity at the Oban and Connel waste treatment plants. The TIF has funded the recent Traffic Survey and Traffic Safety Audit. These were presented to Transport Scotland who indicated that 300 extra dwellings could be accommodated off the single access Lorn/ Kirk Road. On the evening of Friday 13<sup>th</sup> January, Link Housing Association (LHA) presented their Master Plan at Dunbeg School, to show three areas of interest. These being the Lorn/ Kirk Road, the Halfway house Roundabout/ Dunbeg Development Road, and the Ganavan road.
- 4.8.2 Construction of the road may be feasible through another funding source rather than TIF, and so Council Housing officers have submitted an expression of interest to Scottish Government for up to £1.75m in grant funding to improve Lorn/ Kirk Road. This funding will require a detailed application with associated costings to the Scottish Government Housing Infrastructure Fund (SGHIF).
- 4.8.3 With the emergence of the SGHIF it is deemed prudent to review the Lorn/ Kirk Road design. This will require revised design work, revised financial modelling and if not determined to be a Permitted Development, a revised application for planning permission to be submitted. Working with Council Officers, the Lorn Arc Project team has the Project Management lead in the design (TIF funded) and delivery (potentially SGHIF funded) of the Lorn/ Kirk road upgrade. On completion of the design, a full construction tender will be sought and presented to Scottish Government for funding under the Housing Infrastructure Fund. Community involvement in the process will include through a further information evening at Dunbeg for the Dunbeg Community to attend.
- 4.8.4 Also discussions and assistance continues to take place with Highland and Island Enterprise ("HIE") regarding purifying the conditions linked to their planning consent to allow further phases of the European Marine Science Park (EMSP) to be completed. These matters require to be resolved to avoid the scenario where the Lorn/ Kirk Road is upgraded but the EMSP development can't proceed as the conditions in their planning consent have not been purified. Note that the potential SGHIF will fund the construction of the Lorn/ Kirk Road only to the turn for the existing housing estates, and not to the EMSP.
- And following a meeting with HIE & their Consultants, HIE will now work in partnership with the Council to jointly deliver the road improvement to Lorn/ Kirk Road all the way to EMSP, thus ultimately facilitating their phase 2&3 development of the EMSP. It has been made clear this will need to be a two way carriage the whole way. HIE will potentially draw ERDF funding for their element of the road. The Council will look at options how the HIE design and build can be incorporated into the ongoing design delivery work for the Lorn/ Kirk road.
- 4.8.5 **Project 2 - Gateway Features/ Traffic Calming - Dunbeg** - This project includes new Gateway features on approach to Dunbeg and at the existing junction into the area. This potentially includes lighting improvements around the existing Dunbeg junction along with crossing and footway enhancements. The project will enhance the perception and visibility of the Dunbeg Corridor area, and is seen as crucial to raising the profile of the internationally recognised marine science education, research and business park facilities. The project is seen as being part of the overall enhancement of the area. Whilst initial signage has been implemented through an investment by

HIE, subject to the TIF Programme overall affordability, the project will be further progressed following approval of the road infrastructure works for projects 1 and 3.

- 4.8.6 **Project 3 - Halfway House Roundabout/ Dunbeg Development Road, Dunbeg -** This project lies within the Dunbeg Corridor development area and as such has formed an element of discussions between the Council and the principle developer of this area, Link Housing Association (LHA) on how best they can develop their masterplan for the development of this area, which includes the provision of approximately 600 homes (inclusive of the 300 in Project 1), delivered over approximately 20 years and commercial uses including retail and leisure. The Option Agreement between LHA/ West Highland Housing Association and the Landowner has been extended to the 30<sup>th</sup> September 2017. The first meeting of the Dunbeg Corridor Working Group took place on the 8<sup>th</sup> August 2016 to scope out the meetings and attendees going forward to deliver the Project Plan. These meetings have continued monthly. The Project Plan sets out the activities which LHA require to be addressed before concluding the Options Agreement with the Landowner.
- 4.8.7 LHA has advised the Council that the cost of the road infrastructure is circa £12m for the initial distributor road and an additional £8m may be required to access the east side of site. LHA have been advised that from a Lorn Arc TIF perspective **any TIF debt incurred will require to be repaid through an increase in Non Domestic Rates (NDR) through development of the commercial area and that Business Case will be required to demonstrate the affordability of any such investment.**
- 4.8.8 It has been acknowledged by LHA that other sources of public and private sector investment will therefore be required. For example, the Lorn Arc Business Case states **“the TIF Investment proposed (£2m) would part fund the enablement of the new Trunk Road junction and the first section of road to the west”**. TIF financing was never envisaged to pay for the full cost of the roundabout only as a contribution to private sector and other partner funding as necessary. Council officers have completed their review of whether the roundabout as currently envisaged is in the right place and have concluded that despite construction challenges that it is. Transport Scotland has determined that a roundabout is the only acceptable way for this access to be taken from the Trunk Road. In parallel to the LHA work, the project team are working to enable a business case for the TIF investment to be completed, and for it to be established if the investment meets the criteria set out in the PID. This work is on-going.
- 4.8.9 On the evening of Friday 13<sup>th</sup> January, LHA presented their Master Plan at Dunbeg School to show three areas of interest. These being the Lorn/ Kirk Road, the Halfway House Roundabout/ Dunbeg Development Road, and the Ganavan road.
- 4.8.10 Council Housing officers have submitted an expression of interest for £4m with regard to the Scottish Government Housing Infrastructure Fund. LHA have the lead in financial costings for the Halfway House Roundabout to enable housing officers to advance the expression of interest to Scottish Government on to the full application stage.
- 4.8.11 Tom Liath (the developer planning a large scale luxury hotel and spa resort at the Dunbeg/ Halfway House site) has recently renewed the planning permission in principle approval for the roundabout and is seeking to renew planning consent for its own development, which signals a positive intention from the developer.
- 4.8.12 **Project 4 - South Oban Development Zone -** This project requires a FBC to be prepared and, in addition to internal Council approvals, this will require approval from

the TIF Executive via the TIF Executive Gateway Review Approval Process. This FBC will need to scope out the enabling infrastructure investments required and identify the associated enabled outputs, potential benefits and financial forecasts. The project team is currently preparing a project plan for this process and has commenced the stakeholder engagement process.

- 4.8.13 It should be noted that although investment in South Oban was projected to lever the highest increase in NDR across the Programme in the original TIF FBC, the most recent model update (November 2016) has somewhat reduced these estimates and new financial forecasts will require to be produced as part of this business case process. That said, HIE are in the process of securing detailed planning consent to construct a new road to make available new business land.
- 4.8.14 The project team has agreed to work in partnership with HIE to undertake a Site Investigation Study. This will gather information on all available development sites, ownership of those sites and barriers to investment for each site. This will inform where development and enabling infrastructure might take place under the Oban South project.
- 4.8.15 Further, the Oban as a University Town initiative is likely to be integral to this project and the Council continues to have positive discussions with HIE and our education partners in this regard. It should be noted that HIE is commissioning various audits and studies to support this initiative, which will result in a HIE 'Action Plan'. This Action Plan will identify infrastructure requirements and as such the timing of this report (currently anticipated to be end June 2016) will impact on our own timeframes for FBC development.
- 4.8.16 **Project 5 - North Pier Extension, Oban** - The Policy & Resources Committee approved start-up costs of £0.56m for this project on 14<sup>th</sup> May 2015. Sequencing with other complementary capital regeneration projects to include the CHORD Transit Berthing Facility and the Maritime Visitor Facility, both of which are on track to be completed by Summer 2017, options are currently being assessed for physical and financial viability. Work is in progress on the North Pier FBC with Marine Surveys, and an Economic Impact Assessment ("EIA") is currently being scoped for procurement.
- 4.8.17 **Project 6 - North Pier Streetscape, Oban** - Remodelling of the Council owned street areas on the North Pier to provide improved facilities for tourists and other pier users. Following the finalisation of the Oban Capital Regeneration Public Realm Schemes, and design approval of Project 5, discussions will take place on how best to proceed with this element.
- 4.8.18 **Projects 7 & 8 – Barcaldine Access and Port Improvements** - Through the intervention of Private Sector investment, and with the sale of the Barcaldine site, Projects 7 and 8, totaling £4.15m are now no longer required. Scottish Sea Farms, will invest £35m to create a new freshwater hatchery which will be used to rear young salmon, or smolts, in bio-secure and environmentally friendly conditions, with the potential of 25 new permanent skilled jobs created.
- 4.8.19 **Project 9 - Existing Access Improvements and Business Park Enablement, Oban Airport** - The FBC report dated April 2015 defined the scope of the project as 'an access road link of up to 140m to access the site of a new business park to the south of the existing Oban Airport Roundabout and support its effective marketing and attraction of inward investment. The construction of the access road to facilitate the development of the new business park started on the 1<sup>st</sup> September 2015. The

design of the road, site supervision and ancillary works were undertaken by the Council's Roads and Amenity Services, with the completion certificate issued in December 2015. The commencement of the works met the Scottish Government's deadline for the First TIF investment.

- 4.8.20 In October 2016, the Council was approached by an Agent with a 'Note of Interest' for the site. And as a result, the site as is, was valued by the District Valuer. Following the basic valuation we will undertake an appraisal of development potential at the strategic Oban Airport site. A three stage appraisal will be:
1. Building upon our existing reviews, we will identify potential land uses using a high level assessment of market potential and planning policy fit. This would yield a short list of potential land uses for appraisal. It is anticipated that employment uses and perhaps some appropriate commercial uses would be short-listed.
  2. Our options appraisal of the short-listed land uses would provide:
    - A more detailed consideration of the planning policy fit and any strategy required.
    - A market demand analysis to inform development volumes, mix and any phasing.
    - A high level assessment of the fit with economic policy and related impacts.
    - Commentary on the likely delivery routes for each type of development.
    - Financial appraisal of each option (information requirements/ assumptions to be confirmed).
    - Identification of preferred land uses and development option(s).
  3. Our development strategy for the site will build upon the assessment of market and planning potential and appraised values at (2) to recommend a way forward for the Council. This could range from direct build to design-and-build, speculative build or site sales on a fully-funded, JV and/ or grant/ funding mechanism basis.
- 4.8.21 Following which an options paper will be presented for comment to the first appropriate meetings of the OLI Area Committee and the Policy & Resources Committee. This work is being done with approved capital drawdown, and approved revenue for project team costs.
- 4.9 **Programme Risks** - Following the November 2016 financial model update, the majority of the risks are deemed high around the complexity of the funding model, delivery of programme by 2020, and lack of private investment. All of which are regularly monitored with movements reported to Members, the TIF Executive and Lorn Arc Programme Board. In terms of Project Risks, Project 1 (Lorn/ Kirk Road Improvements, Dunbeg) is deemed to be a medium risk, due to the potential of securing Scottish Government Housing Infrastructure Fund for additional infrastructure funding, and HIE contribution.
- 4.10 **Financial Model Summary Output** - The financial model calculates the affordability of the Programme over the life of the TIF Agreement. Amendments to timescales, cost of the TIF investment, projected increases in NDR and their timing, cost of borrowing and inflation can all change the output of the Programme financial model.

The Commercial Agent's (Ryden) report, taken together with Argyll & Bute Council's own knowledge of the prevailing local market conditions, suggests that timing and magnitude of future development and the associated incremental NDR generation is unlikely to be forthcoming as anticipated in the 2013 FBC. The result of this re-modelling exercise is that in all cases (best to worst case scenarios), there is a cash

sweep deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrates that, in the present form, the full TIF programme of £14.74m is not currently affordable, based on the current NDR assumptions. It should be noted however, that the current level of approved drawdown (£1.388m, of which £0.664m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project.

4.11 **Budget:** Detailed below is the current budget position for both the revenue and capital approved budget allocations.

<b>REVENUE</b>	<b>£000s</b>
Total approved funds	1,607
Total project spend to date January 2017	322
Balance	1,285
<b>CAPITAL</b>	<b>£000s</b>
Total borrowing approved	1,388
Total project spend to date January 2017	664
Balance	724

## 5. POTENTIAL WAY FORWARD

5.1 Potential alternative solutions for delivery of the Lorn Arc programme clearly require further extensive detailed discussion between ABC, SG and SFT, however, at a high level, ABC's initial view is that potential solutions may include:

- A combination of a change to the TIF capture mechanism/ project terms and capital/ revenue grant funding (potentially from SG/ TS/ HIE);
- Building upon the initial basis of the TIF business case, approval to develop a Growth Accelerator business case, based on the wide range of economic and social benefits and the public sector cash flows that will flow from enabled development (e.g. NDR, car parking, port dues, council tax, increased economic activity (GVA), direct and indirect employment, employability schemes, apprenticeship and training schemes, an increase in overseas visitors to Scotland and associated expenditure, promotion of Oban as a specialist university town and associated increase in students (largely international specialist marine students) etc.);
- A hybrid of TIF and another model such as the Growth Accelerator;
- A Rural Growth Fund ("RGF") – ABC is progressing discussions with UK Government and SG regards a RGF, which would follow the principle of City Deals being granted elsewhere in the UK (i.e. a proposed rural version of the city deal model being rolled out across the UK, such as those agreed in Manchester, Glasgow & the Clyde Valley and Aberdeen & Aberdeenshire). ABC has been developing its 'Rural Regeneration Initiative' and the expression of that is the 'Single Investment Plan' or SIP that will be presented to the Council in April. Currently it is envisaged that the TIF/ Lorn Arc programme will be ring fenced and carved out of the proposed RGF (which would enable the ongoing collection of incremental NDRs in the Lorn Arc red-line area), however further discussions are required.

## 6. CONCLUSION

6.1 Given the financial model update findings/ analysis, further careful consideration clearly needs to be given as to how the programme can be delivered for the benefit of Oban, Argyll & Bute and Scotland as a whole. Regardless of the approach or the financial model that is finally taken forward, the basis of the current programme is still relevant to Oban. The Lorn Arc Programme has the potential to deliver a step change in the economic

conditions of the area. No other economic driven initiative has been identified that could take its place at this time. The Project targets a relatively remote rural area that has enjoyed growth in the economy and population for several decades but has failed to meet its full economic potential at a national level due to an inherent inability of the private sector to deliver the necessary infrastructure to unlock a step change in economic growth. The Lorn Arc therefore, building on the work of CHORD, still has the potential to deliver a substantial positive effect on the social and economic outcomes of Oban, Lorn and the Argyll & Bute community which in turn supports the Scottish Government's national economic strategy.

- 6.2 The Leader of the Council and Policy Lead for Sustainable Economic Development are seeking confirmation from the Scottish Government for their willingness to engage with us to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its associated social and economic outcomes. And on reply from Scottish Government, a more substantive report will be prepared and reported to the first appropriate Policy & Resources Committee.

## 7. IMPLICATIONS

- 7.1 **Policy** - The delivery of this project fits with the Council's Corporate Plan, Local Outcomes Improvement Plan, Economic Development Action Plans (EDAPS) and approved Local Development Plan. The economic outcomes from this project will contribute to the Scottish Government's National Economic Strategy.
- 7.2 **Financial** - Note affordability of NDR uplift, also alternative funding sources being pursued, and that the current level of approved drawdown (£1.388m, of which £0.664m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project.
- 7.3 **Legal** - Each project will have differing legal requirements; this will be laid out in each project's PID. No legal issues at Programme level.
- 7.4 **HR** - None.
- 7.5 **Equal Opportunities** - There are no equal opportunities implications.
- 7.6 **Risk** - As outlined in 4.9.
- 7.7 **Customer Service** - There are no customer service implications.

**Executive Director Development and Infrastructure Services:** Pippa Milne.

**Policy Lead:** Aileen Morton.

31 January 2017

For further information - please contact:

David Gunn

Oban Lorn Arc Regeneration Programme Manager,  
Economic Development and Strategic Transportation,  
Development and Infrastructure Services. 01631 567951

---

**ARGYLL AND BUTE COUNCIL****Policy and Resources Committee****Development and Infrastructure****16 March 2017**

---

**Single Investment Plan (SIP): Rural Growth Deal**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides a briefing on progress with the Single Investment Plan (SIP) currently developed for Argyll and Bute. It has taken an integrated approach to delivering strategic development opportunities identified through a number of key studies/strategies/plans including the Argyll and Bute Local Development Plan and Economic Development Action Plans that can help deliver a step change in economic activity in the area and to help address our population challenges.
- 1.2 From the evidence gathered through a detailed study of the existing studies/strategies/plans the following five key priorities, to unlock economic activity across the Argyll and Bute region, have emerged:-
- High quality mobile and broadband;
  - Wide range of housing and business accommodation;
  - Improved transport links;
  - Improved marketing and promotion of Argyll and Bute;
  - Improved skills and staff required to grow the local economy.
- 1.3 The SIP highlights the potential opportunities to build upon the significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured through private investment in the last 5 years and estimated £200M of public committed investment.
- 1.4 The contents of the SIP once finalised will inform the ask of a Rural Growth Deal which can only be realised where an identified rate of return to both the UK and Scottish Governments can be clearly demonstrated. In order to stand the best chance of securing a Rural Growth Deal, potential infrastructure projects put forward should have the highest predicted rates of return for the Scottish and UK Governments and ideally be interdependent on one another, giving a combined rate of return that is greater than the sum of individual projects. This is based on a review of other existing City Deals and also through discussions with Scottish Futures Trust officers. Effectively the final “ask” of the two Governments will be shaped by what both indicate they will fund.

1.5 It is recommended that the Policy and Resources Committee -

- (i) Note the Single Investment Plan (SIP) can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) Note the SIP can be used as a tool to lobby for significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Government's national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) Note the potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.
- (iv) Approve the use of the enclosed Single Investment Plan as the basis for further discussions with both the UK and Scottish governments. The plan identifies the significant private and public investments already made, or committed, across Argyll and Bute and in addition identifies the necessary strategic level infrastructure projects that would further unlock economic activity across the region.
- (v) Delegate to the Chief Executive to allow detailed discussions to take place with government officials on the potential for a Rural Growth Deal for the Argyll and Bute region. Projects included within any future deal will fit with national and local economic strategy and will be subject to a full business case in line with the Treasury's Five Case Model methodology. Funding will not be committed to projects unless this has been approved by the Council. Projects will be identified through existing studies, plans and strategies approved by Members.
- (vi) Delegate to the Head of Economic Development to submit a response on behalf of the Council to the UK Governments Building our Industrial Strategy Green Paper consultation.

**Single Investment Plan (SIP): Rural Growth Deal**

---

**2.0 INTRODUCTION**

2.1 This report provides a briefing on the Single Investment Plan (SIP) currently developed for Argyll and Bute. It has taken an integrated approach to delivering strategic development opportunities identified through a number of key studies/strategies/plans including the Argyll and Bute Local Development Plan and Economic Development Action Plans that can help deliver a step change in economic activity in the area and to help address our population challenges.

2.2 In developing the SIP the following local, regional and national studies/strategies/plans have been audited to see where goals are likely to be achieved by currently planned or identified infrastructure projects led by either Argyll and Bute Council or other stakeholder partners;

- EKOS Compelling Argyll and Bute August 2015
- Economic Development Action Plans (EDAPs) 2013 – 2018;
- Community Plan and Single Outcome Agreement 2013- 2023;
- Argyll and Bute Economic Forum Report 2016;
- Local Housing Strategy 2011 – 2016;
- Argyll and Bute Local Development Plan 2015;
- HITRANS / SPT Regional Transport Strategies;
- HIE, Argyll and the Islands Area Team Plan 2016/17
- Renewable Energy Action Plan (REAP);
- Scotland's Economic Strategy March 2015;
- Argyll and Bute's Transport Connectivity and Economy Research Report June 2016;

2.3 From the evidence gathered through detailed study of the existing studies/strategies/plans as set out above the following five key priorities, to unlock economic activity across the Argyll and Bute region, have emerged:-

- High quality mobile and broadband;
- Wide range of housing and business accommodation;
- Improved transport links;
- Improved marketing and promotion of Argyll and Bute;
- Improved skills and staff required to grow the local economy.

### 3.1 RECOMMENDATIONS

It is recommended that the Policy and Resources Committee -

- (i) Note the Single Investment Plan (SIP) can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) Note the SIP can be used as a tool to lobby for significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Government's national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) Note the potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.
- (iv) Approve the use of the enclosed Single Investment Plan as the basis for further discussions with both the UK and Scottish governments. The plan identifies the significant private and public investments already made, or committed, across Argyll and Bute and in addition identifies the necessary strategic level infrastructure projects that would further unlock economic activity across the region.
- (v) Delegate to the Chief Executive to allow detailed discussions to take place with government officials on the potential for a Rural Growth Deal for the Argyll and Bute region. Projects included within any future deal will fit with national and local economic strategy and will be subject to a full business case in line with the Treasury's Five Case Model methodology. Funding will not be committed to projects unless this has been approved by the Council. Projects will be identified through existing studies, plans and strategies approved by Members.
- (vi) Delegate to the Head of Economic Development to submit a response on behalf of the Council to the UK Governments Building our Industrial Strategy Green Paper consultation.

### 4.0 DETAIL

- 4.1 The current draft SIP document (**Appendix A**) details infrastructure projects being delivered by Argyll and Bute Council and key stakeholder partners that will assist in the delivery of the five priorities identified. The SIP also identifies infrastructure projects and development opportunities that as yet have no funding mechanism identified to take them forward but would also support the five priorities for the region.
- 4.2 The SIP highlights the potential opportunities to build upon the significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured through private investment in the last 5 years and estimated £200M public committed investment.

- (i) The Single Investment Plan can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) The SIP can be used as a tool to lobby that significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Governments national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) The potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme

4.3 Consultation has been carried out with the relevant Council services such as Roads, Planning, Housing, Piers and Harbours, Capital Regeneration, Strategic Finance and the Schools development Project Team to identify strategic infrastructure projects that are critical to unlock economic activity within the Argyll region and support the five priorities. External consultation has also taken place with Community Planning Partnership stakeholders, HIE and the Regional Transport Partnerships to include their feedback within the SIP.

4.4 Consultation has taken place with the Scottish Futures Trust to identify the necessary principles to formulate the foundation for a Rural Growth Deal for the region of Argyll. In essence a Growth Deal is a negotiated contract with UK and Scottish Government which explicitly targets those projects that will lift the Argyll region's economy. Projects included in a Growth Deal are assessed by the UK treasury and will be monitored against their set economic goals.

4.5 A Growth Deal is a 'Deal'- there has to be an identified rate of return to UK and Scottish Government in order for them to agree to invest. In order to stand the best chance of securing a Growth Deal, potential infrastructure projects put forward should have the highest predicted rates of return for the Scottish and UK Government and ideally be interdependent on one another, giving a combined rate of return. The potential for a Growth Deal is due to be discussed at the meeting with the Secretary of State arranged for the 27<sup>th</sup> February. The Cabinet Secretary for the Economy, Jobs and Fair Work has also confirmed he wishes to meet to discuss the potential for a Growth Deal.

4.6 Alternative solutions for delivery of the Lorn Arc programme will require further extensive detailed discussion with the Scottish Government and Scottish Future's Trust, however it is considered that the Rural Growth Deal may be a potential solution for delivery of areas of the Lorn Arc Programme.

4.7 One of the principles of the Growth Deal are that the potential infrastructure projects align and directly support the government strategy for Scotland's Economy and their four priorities of:

***Internationalisation, Innovation, Investment and Inclusive Growth.***

- 4.8 In addition, any Rural Growth Deal will also need to align with the UK Governments Industrial Strategy which is being developed with the aim of improving living standards and economic growth by increasing productivity and driving growth across the whole country. It is proposed that officers of Argyll and Bute Council will respond to the Building our Industrial Strategy Green Paper consultation which closes on the 17<sup>th</sup> April 2017.
- 4.9 A Member's seminar was held on the 6<sup>th</sup> February to discuss the SIP's purpose and potential to assist in the formulation of a Rural Growth Deal where infrastructure projects meet the necessary principles set out with the current City Deals Programme. The following feedback was provided:-
- Broad agreement that the themes to grow the Argyll and Bute region's economy should be based on tourism (marine, adventure, cultural, heritage), space industry, food and drink including aquaculture, defence skills for work, digital connectivity, transport connectivity and better business/housing accommodation.
  - Council services should streamline the process for interested developers wishing to take sites forward;
  - Off road cycling potential and support for food and drink sector should also be included;
  - Oban University as a Town should be included as a development for skills to support potential space industry and aquaculture;
  - Some areas of Argyll and Bute especially on the islands are at capacity in terms of available infrastructure and there should be an inclusion to lobby for fixed links, improved ferry services fit for the 21<sup>st</sup> century e.g. a Cowal fixed link could offer an alternate route to the A83.
  - A816 is no longer used by coaches due to its poor alignment with tour buses no longer using it as a loop e.g. do not travel beyond Inverary.
  - Use our Gaelic Culture and historic heritage – important to support tourism sector.
  - Promotion of Argyll and Bute to international markets, current interest from Asian investors (e.g. purchase of Isle of Eriska Hotel) and potential for Oban airport to support with links to our international airports.
  - Recognition of Oban Airport in its supporting role to the new investment in Rio Tinto site Lochaber – currently Scotland's largest industrial site under development;
  - There should be a focus on improving the infrastructure we have already e.g. Cowal, Dunoon to Portavadie road;
  - Consideration should be given to developing a ferry terminal at West Loch Tarbert to reduce ferry crossing times to Islay (recognition however that CMAL have recently invested in improving the existing Kennacraig Terminal).
- 4.10 Argyll and Bute is a region driven by natural resource-based wealth creation (whisky, aquamarine, hydro agriculture, renewable energy, high value food/seafood, tourism, cultural heritage, marine tourism and a natural terrain suitable for a wide range of outdoor pursuits). A potential Rural Growth Deal could therefore align future investment opportunities utilising the natural resources of the region whilst at the same time identifying opportunities for high rates of return from the UK and Scotland's fastest growing sectors.

- 4.11 The principle of a growth deal with the UK and Scottish Governments is to demonstrate interdependencies between projects that will unlock the highest potential combination of economic and social returns.
- 4.12 The following are some examples of how the Argyll and Bute region could provide high rates of return for the UK and Scottish Governments:-
- The cruise ship market is worth £50M to the Scottish Economy per annum – for the Argyll and Bute region it is estimated that every passenger spends an estimated £107 whilst visiting the region.
  - The MACC spaceport project could contribute to the global space economy – estimated to be worth £40bn to the Scottish Economy by 2030
  - Cost savings associated with improved digital connectivity are predicted for every £1 of public investment there is a £20 return in net economic impact
  - The Scotland Visitor Survey identified that The Argyll Isles and surrounding regions attracted 1.8M visitors spending £392M per annum. The greatest percentage increase in visitors to attractions by Council area between 2015 and 2016 was in Argyll and the Isles at 21.9% (as compared to 4.9% for Scotland as a whole).
  - Sustrans survey for the NCN 78 between Argyll and Fort William identified a daily spend of £30 per visitor using the route and
  - In 2015 Scotland produced 171, 000 tonnes of salmon worth £637M to the Scottish Economy – 36,000 tonnes worth £133M came from the region of Argyll and the Clyde.
  - The overall economic contribution of the Scotch whisky industry to UK is almost £5bn a year. In Scotland it makes up almost three quarters of the food and drink sector and is three times the size of Scotland's digital or life sciences industries.
- 4.13 In order to take the potential Rural Growth Deal forward discussions will be required to take place with government officials with the intention to develop our proposal to strategic outline business case. An assurance framework will also be required to be established prior to the commencement of any potential Rural Growth Deal to ensure that infrastructure schemes that are delivered provide good value for money and are under pinned by robust business cases.

## **5.0 CONCLUSION**

- 5.1 Consultation on the Single Investment Plan (SIP) has been carried out with the relevant council services such as Roads and Amenity Services, Planning, Housing, Piers and Harbours, CHORD, Strategic Finance and the Schools development Project Team to identify strategic infrastructure projects that are critical to unlock economic activity within the Argyll and Bute region. External consultation has also taken place with Community Planning Partnership stakeholders, including HIE, Scottish Enterprise and the Regional Transport Partnerships to include their feedback within the Single Investment Plan. The Scottish Futures Trust have also been consulted on our draft documents.
- 5.2 The SIP highlights the potential opportunities to build upon the

significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured in the last 5 years through private investment and estimated £200M of public committed investment.

5.3 The Single Investment Plan can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses and to lobby both the UK and Scottish Governments for national intervention in order to deliver transformational infrastructure projects that can unlock the full potential of the Argyll and Bute economy.

5.4 There is the opportunity for potential infrastructure projects to form the foundation for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.

## 6.0 IMPLICATIONS

6.1 Policy The SIP is aligned to the Community Plan, SOA 2, Strategic and Local Economic Development Action Plans and the LDP

6.2 Financial Priority infrastructure projects will have associated costs

6.3 Legal Key infrastructure projects may have legal implications

6.4 HR N/A

6.5 Equalities SIP will be subject to an EIA.

6.6 Risk There is a risk if the Strategic Infrastructure Plan is not developed the economic aspirations of Argyll and Bute may not be realised and inward capital investment will not be attracted.

6.7 Customer Services None

**Executive Director of Development and Infrastructure Pippa Milne**  
**Policy Leads: Dick Walsh/Alistair MacDougall/Aileen Morton** (\*Note: Cross policy work will be required)  
03<sup>rd</sup> March 2017

**For further information contact:** Moya Ingram, Strategic Transportation Manager,  
[Tel:- 01546604190](tel:01546604190), [moya.ingram@argyll-bute.gov.uk](mailto:moya.ingram@argyll-bute.gov.uk)

## **APPENDICES**

Appendix 1 Single Investment Plan

This page is intentionally left blank



**Argyll and Bute Council  
Single Investment Plan**

DRAFT

## Contents

<b>Foreword</b> .....	3
<b>Map of Private Investment in Argyll Region (circa £635M)</b> .....	5
<b>Map of Public Investment in Argyll Region (circa £200M)</b> .....	6
<b>Who We Are</b> .....	7
<b>Opportunities</b> .....	9
<b>Key Infrastructure Goals</b> .....	12
<b>Infrastructure Projects</b> .....	15
<b>Strategic Infrastructure Projects – National Level</b> .....	16
<b>Strategic Infrastructure Projects – Regional Level</b> .....	19
<b>Funding Opportunities</b> .....	22

DRAFT

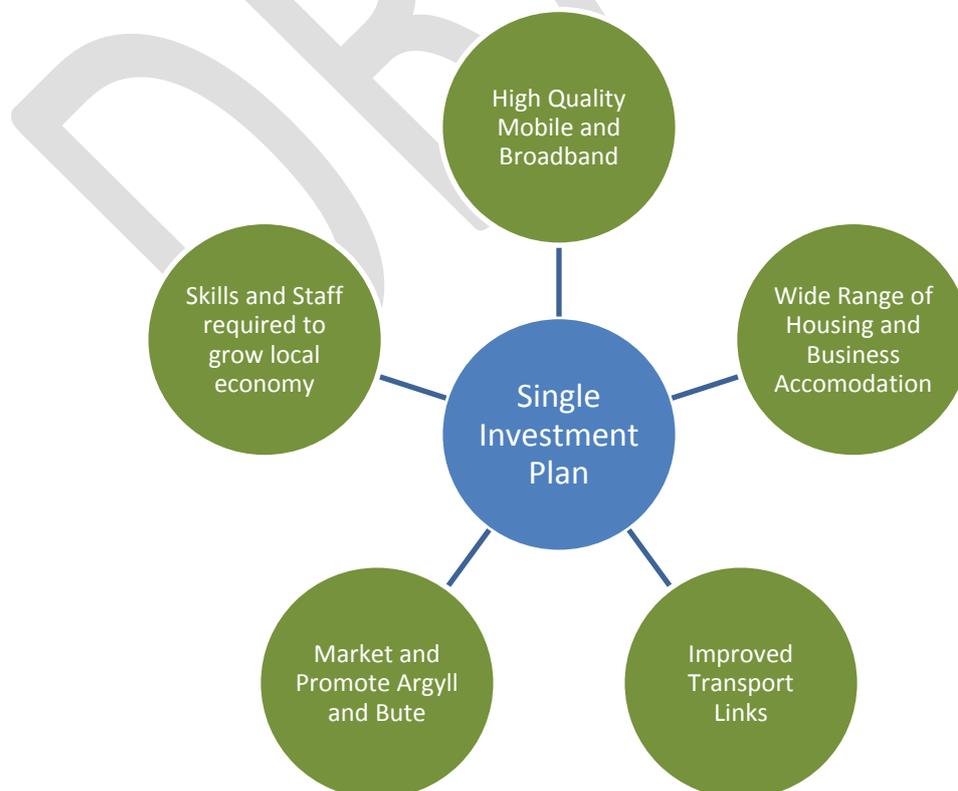
## Foreword

---

The Local Outcome Improvement Plan (LOIP) for Argyll and Bute sets out an overall objective that “Argyll and Bute’s economic success is built on a growing population.” The delivery of essential infrastructure that supports sustainable economic growth is key to the success of the region and in recognition of this Argyll and Bute Council have developed a Single Investment Plan.

The Single Investment Plan for Argyll and Bute has been developed in order to align future infrastructure investment with strategic economic priorities to help drive a step change in economic activity in the area. Argyll and Bute Community Planning Partners have developed a series of strategic plans which set out visions, priorities and objectives for the region and the Single Investment Plan is a distillation of these which aims to highlight and advocate the important opportunities and challenges within Argyll and Bute and where goals are likely to be achieved by currently planned or identified infrastructure projects. It is also intended that the Single Investment Plan will form the foundation for an economic case for additional funding being directed towards Argyll and Bute to accelerate the delivery of priority infrastructure projects.

The Single Investment Plan identifies a range of priorities including traditional infrastructure such as transport facilities and digital networks to social and soft infrastructure such as education and promotional activities that increase the profile of Argyll and Bute to potential investors, visitors, residents and workers. Based on the key barriers and the evidence gathered from research of existing plans the following five Key Infrastructure Goals have emerged for the Single Investment Plan:



In developing the Single Investment Plan Argyll and Bute Council recognise the requirement to plan strategically and provide renewed focus on delivering the vital infrastructure required to create the conditions and environment necessary to enable economic growth.

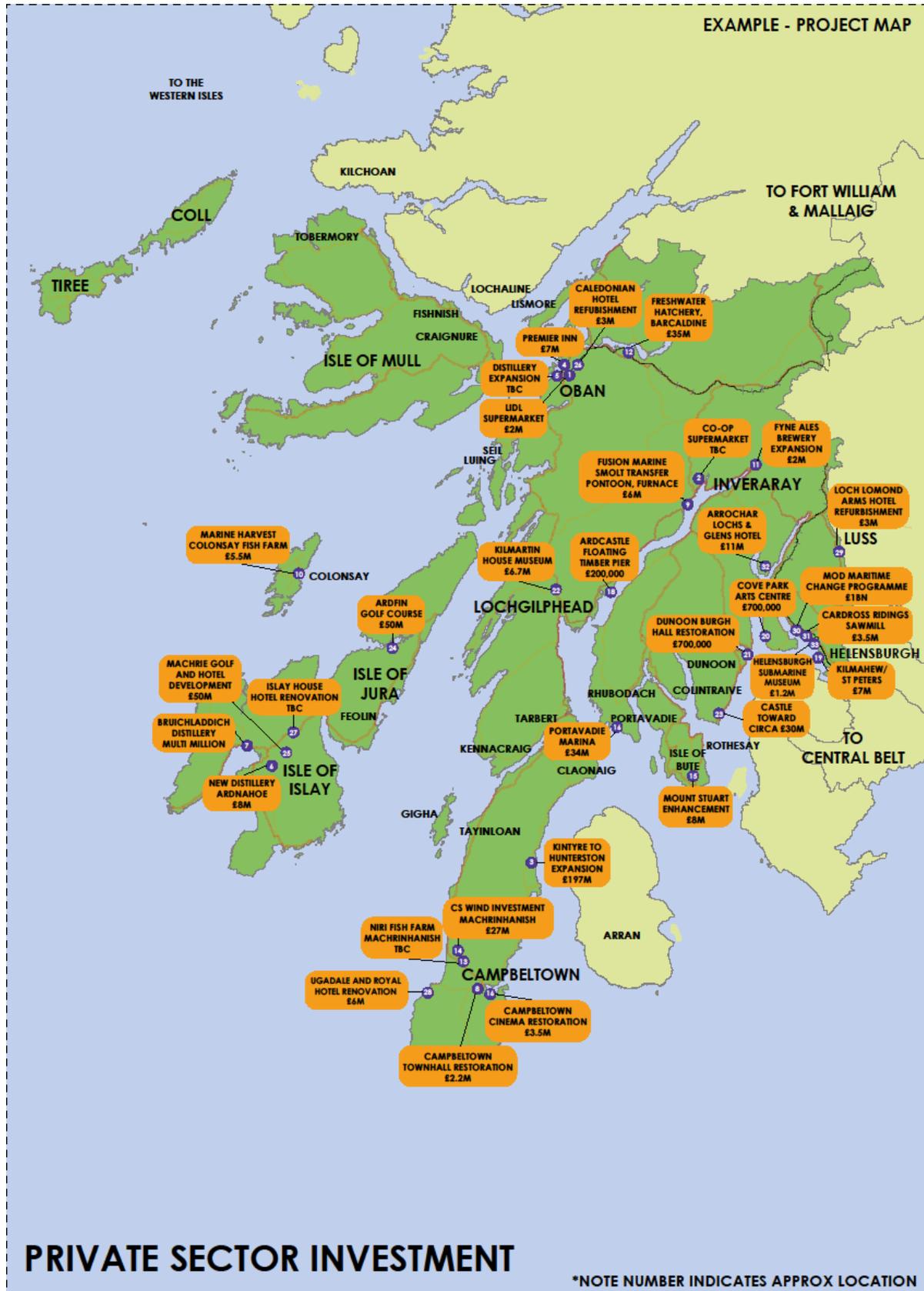
The SIP highlights the potential opportunities to build upon the significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon **the estimated £635M (Map A) already secured through private investment in the last 5 years and estimated £200M (Map B) of public committed investment.**

Moving forward it will be essential to continue to work closely with public and private sector partners to maximise inward investment in the region in order to deliver the key infrastructure goals required to drive economic growth.

The Single Investment Plan (SIP) can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses. The SIP can be used as a tool to lobby for significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Government's national planning framework and National Transport Strategy – to be taken forward at a national level.

The potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme. Projects included within any future deal will be subject to a full business case in line with the Treasury's Five Case Model methodology.

# Map of Private Investment in Argyll Region (circa £635M)





## Who We Are

---

### Population and Demographics

Argyll and Bute is a unique and diverse region that is the second largest geographic area of any Scottish Local Authority but with less than 2% of the total population of Scotland. The area is characterised by its diverse geography with 23 inhabited islands and long peninsulas, together with a mix of rural and urban environments set within an outstanding natural environment.

Argyll and Bute has 4 distinct sub-areas and all endowed with a mixture of strong and compelling advantages:

### Mid-Argyll, Kintyre and the Islands

World famous for the malt whiskies of Campbeltown, Islay and Jura, the area is also famous for being the cradle of the Scottish nation. The town of Campbeltown is emerging as a national hub for the renewable energy industry due to £50m of related capital investment and the strategic port's proximity to the Irish Sea, Solway Firth and West Atlantic.

Campbeltown Airport has been shortlisted by the UK Government as one of 5 UK locations for a potential permanent spaceport site for satellite, space travel and tourism launches.

With outstanding scenery the area has world class golf courses, food and drink produce, marine tourism facilities and an expanding network of high quality hotel accommodation.

### Oban Lorn and the Isles

This area covering the north of Argyll enjoys a concentration of world class tourist attractions set within a variety of environments unsurpassed in Scotland and is rapidly growing as a popular cruise ship destination and centre for kayaking and yachting. The Council owns and operates Oban airport and also the airports on the islands of Coll and Colonsay. The busy town of Oban is the transport gateway to the Inner and Outer Hebrides and is a centre for retail, tourism, Gaelic culture and the Scottish Association for Marine Science (SAMS), the world-leading, marine-science, and research organisation based at Dunstaffnage which also hosts the European Marine Science Park. The science park brings together innovative companies with the staff of a world class marine research institution and a skilled talent pool of graduates.

### Bute and Cowal

Close proximity to Glasgow, a pristine natural environment, the significant built and cultural heritage of its communities—such as Dunoon and Rothesay— make this area a dynamic location for niche inward investment, high quality life-style businesses, major events, resort tourism and short breaks. Dunoon is also the marine gateway to the Loch Lomond and Trossachs National Park with a rich landscape providing an unbeatable outdoor recreational area and world class sailing territory. Major tourist attractions include Mount Stuart, on Bute and Benmore Gardens in Cowal while Dunoon itself with its iconic wooden pier plays host to the best Highland Games in the world every August.

## **Helensburgh and Lomond**

Helensburgh is the largest town in Argyll and Bute and the administrative centre for the Helensburgh and Lomond area. The Royal Navy base at Faslane to the north of the town is the largest employer in the area and the UK's flagship submarine base. The UK Government have previously committed in excess of £1bn of funding for Faslane to ensure that this continues as a world leading naval base; home to Astute and Successor submarines, their crews and engineers until at least 2067. The close proximity of the town to west central Scotland and the world famous Loch Lomond make it an attractive area for inward investment.

## **Demographics**

Argyll and Bute has a declining and ageing population with the total population falling 3.4% in the 10 years between 2001 and 2011 and forecast to fall by 7% by 2021. There have however been local variations across age groups and sub regions.

A falling and ageing population will have a number of implications for Argyll including lower economic output, shrinking council tax base and implications for demand on local services such as health and social care. It is therefore critical that Argyll and Bute Council and partners work to address the declining population by growing the economy sustainably and creating high value employment opportunities.

---

## Opportunities

---

Argyll and Bute Council and our Community Planning Partners have developed a series of strategic plans which set out the vision, priorities and objectives for Argyll and Bute over the next ten years (**Appendix A**).

A key objective of the Single Investment Plan is to deliver investment in infrastructure which contributes to our collective economic prosperity. Following the publication of the Argyll and Bute Economic Forum Report in February 2016 and review of other strategic documents such as the EDAP it is considered that the region possesses factors of competitive advantage in the following key sectors that have significant potential to drive future economic growth in Argyll and Bute:-

- Tourism;
- Food and drink production including aquaculture;
- Marine Science;
- Education and skills;
- Renewable energy;
- Defence Industries;
- Space Industries;
- Agriculture, fishing and forestry;
- Construction; and
- Culture and Heritage.

The Argyll and Bute Economic Forum Report published in February 2016 and the EKOS Compelling Argyll and Bute report dated August 2015 identify the following key factors as acting as barriers to growth;

- **Mobile and broadband connectivity** – vital for businesses to access customers and markets, lack of coverage the key constraint to attracting new business to Argyll and Bute ;
- **Housing / Business Accommodation-** Availability and mix of housing required to accommodate staff. Lack of business premises also identified as weakness by businesses which impacts opportunities for growth, high cost of developing rural sites due to servicing costs e.g. access roads, sewerage and water connections;
- **Transport links** – Essential given rural geography of Argyll, numerous lifeline services to islands, provides links to key markets and for local people to access local employment opportunities;
- **Availability of learning and training opportunities** – Lack of opportunities pushes young people out of the area, important to provide training tailored towards local employment opportunities.
- **Availability of skilled labour** – Access to and availability of skilled labour crucial to facilitate growth in key sectors.

## Renewable Energy

Argyll has access to a huge, unique and significant mix of indigenous renewable energy resources in hydro, wind, wave, tidal and biomass. In recognition of this the Council have developed a Renewable Energy Action Plan (REAP) with the following vision:-

*“Argyll and the Islands will be at the heart of renewable energy development in Scotland by taking full advantage of its unique and significant mix of indigenous renewable resources and maximising the opportunities for sustainable economic growth for the benefits of its communities and Scotland.”*

With over 1GW of operational and consented renewables, both onshore and offshore, renewable energy is an important economic sector within Argyll and the region plays an import role in delivering renewables nationally. The projects detailed below give an indication of the significant levels of recent investment in renewable energy and grid projects in Argyll and opportunities for future development in this sector.

<p><b>Kintyre to Hunterston Electricity Network Upgrades</b> - Project by Scottish Hydro Electric Transmission (SHE Transmission) and SP Energy Networks to reinforce the electricity network on the Kintyre peninsula in Argyll to Hunterston in North Ayrshire completed in 2016 involving new substations, overhead lines and a subsea cable across the Kilbrannan Sound.</p>	<p><b>£197M</b></p>
<p><b>Commercial Windfarm Developments)</b> – A number of large commercial windfarms have been constructed across the region in recent years and these are summarised on an interactive map produced by the Council which also includes other renewable energy developments such as hydro and biomass. This can be viewed at the following link:-<a href="https://www.argyll-bute.gov.uk/LocalViewExt/Sites/Renewable_Energy/">https://www.argyll-bute.gov.uk/LocalViewExt/Sites/Renewable_Energy/</a></p>	<p><b>circa £90M (to date)</b></p>
<p><b>Micro Hydro Developments</b>– 22MW operational, 4.7MW under construction and 7.9MW approved. (Costs based on a typical 5kW scheme, £25,000 including installation) <a href="http://www.energysavingtrust.org.uk/renewable-energy/electricity/hydro">http://www.energysavingtrust.org.uk/renewable-energy/electricity/hydro</a></p>	<p><b>circa £100M (to date)</b></p>
<p><b>Inveraray to Crossaig Overhead Line Reinforcement</b> - Reinforce the existing transmission network serving the region to ensure security of supply. This will involve construction of a new substation at Craig Murrail and a new 275kV overhead line, linking the existing Inveraray switching station with Crossaig via the new Craig Murrail substation.</p>	<p><b>Potential £TBC</b></p>
<p><b>North Argyll Transmission Network Reinforcements</b>– Reinforce the existing transmission network in the region including the construction of a new 275/132kV substation in North Argyll and upgrade of overhead line between Taynuilt and the proposed new substation.</p>	<p><b>Potential £TBC</b></p>
<p><b>Cruachan Hydro Expansion</b> - Scottish Power is considering options for expanding the Cruachan Pumped Storage hydro plant near Oban. The proposals would increase the capacity of the site by 400 - 600 MW.</p>	<p><b>Potential £500m</b></p>

## Key Infrastructure Goals

---

These goals are based on the visions, objectives and barriers identified from the review of existing plans and strategies and are also consistent with the National goals set out in the Scottish Government's Economic Strategy in particular those relating to future investment goals.

### Key Goal: High Quality Mobile and Broadband

The Scottish Government's Economic Strategy sets out a commitment to "Provide the physical and digital connectivity needed to ensure that all of Scotland is open to the national and global economy and is able to access high quality public services". Fast, reliable mobile and broadband connections are essential to access services and operate businesses and there has been significant steps taken to improve digital connectivity via the Scottish Government's Digital Scotland programme with Argyll and Bute covered by both the Highlands and Islands and Rest of Scotland areas. Despite this the limited 3G and 4G mobile coverage in Argyll and Bute continues to be a significant barrier to economic growth in the region impacting the opportunities for local businesses to compete and grow. Ultrafast broadband and 4G coverage is essential in order for Argyll and Bute to compete with other areas that already benefit from such services and is necessary to:

- Attract new businesses into Argyll by enhancing access to customers and markets and reducing operating costs;
- Enable efficient, cost effective delivery of public services;
- Provide high quality, well connected business accommodation;
- Assist residents, businesses and visitors access services remotely, work flexibly and communicate effectively and;
- Reduce the requirement to travel large distances to access services and employment.

There has been good progress to date with the roll out of high speed broadband in Argyll and Bute with HIE and Digital Scotland investing £146m to roll out a fibre network across our region with coverage anticipated to be 83% across Argyll by the end of 2016. Scottish Futures Trust has also invested in a 4G phone mast on the Isle of Coll which is now owned and maintained by Development Coll. Moving forward similar partnership working with key stakeholders will be required to encourage increased investment in the local digital network as a priority.

### Key Goal: Wide Range of Housing and Business Accommodation

If we are to achieve the desired population growth in Argyll and Bute then it is vital that there is a range of housing available where this is required most to enable economic growth. The Council will continue to liaise closely with private developers, local land owners, local community groups and trusts, and a range of other stakeholders to negotiate, enable and deliver viable projects within the context of Argyll and Bute Council's Local Housing Strategy (LHS) and the framework of the Strategic Housing Investment Plan (SHIP). The Argyll and Bute Housing Needs and Demand Assessment (HNDA) currently identifies a projected need and demand for approximately 9,500 (9,590) housing solutions over a ten year period. It is envisaged that the majority of these (7,450) will be delivered by developing land allocated for

housing in the LDP with the remainder addressed through a variety of other interventions such as bringing empty properties back into use. It is also vital to ensure that there are suitable business premises and sites available to accommodate growth prospects of existing businesses and to encourage new businesses. Investment in businesses accommodation must be market led and tailored to local requirements. In order to deliver high quality housing and business accommodation it will also be essential to identify sufficient funding to deliver associated infrastructure such as access roads, water and sewerage connections. The costs associated with this essential infrastructure can often act as a barrier to key developments.

### **Key Goal: Improved Transport Links**

Argyll is characterised by its geographic diversity with a large land area, dispersed populations and 23 inhabited islands making transport provision essential but also very challenging. Argyll and Bute has a wide range of public transport services including lifeline ferry and air links, local and regional bus services, rail, trunk and public roads. The Argyll and Bute Transport Connectivity and Economy Research Report commissioned by HIE has identified the following five key transport issues in Argyll and Bute:-

- Long journey times by road between Oban and Glasgow;
- Uncompetitive journey times between Oban and Glasgow by rail;
- Poor resilience of journeys between Lochgilphead, Campbeltown and Glasgow by road due to impacts of landslides and accidents on the A83.
- Disproportionate journey times between Lochgilphead on Oban due to sub-standard geometry of the A816; and
- Disproportionate journey times for the distance across Cowal between Dunoon, Bute, (via Colintraive) and Kintyre (via Portavadie), where much of the road is single track.

The transport issues identified in the HIE study are considered to be constraining the economy of the area and, as such, it will be essential that there is significant investment in local transport infrastructure to support improved economic performance. Transport investment should in particular focus on improving journey times, reliability and resilience between Argyll and Bute and Scotland's Central Belt and internally between key local settlements.

Scotland's Economic Strategy sets out the significance of transport to rural areas highlighting policies to expand the rail network and improve accessibility of ferries and airports. As such, it is vital that the Scottish Government continue to invest in our key transport arteries that are so important to the future success of the region. The Council will continue to work in partnership with the Scottish Government, Transport Scotland, HITRANS, SPT and public transport operators to lobby for increased investment in our transport services so that these meet the diverse requirements of our local communities and businesses whilst also bringing vital tourism revenue to the local economy.

### **Key Goal: Market and Promote Argyll and Bute**

Argyll and Bute has a lot to offer. It will be essential to market and promote Argyll and Bute as a place to live, work, visit and do business. People must be aware of the high value job opportunities being created in expanding local sectors in order to retain and attract economically active people to the area. In recognition of this 81% of businesses surveyed

for the Compelling Argyll and Bute study identified improved marketing and promotion as being particularly important for future business growth. We must work with partners to promote the regions unique strengths such as our outstanding natural environment, safe and welcoming communities and the high quality of life which is integral to attract and retain the skills that will be required to grow the local economy.

**Key Goal: Skills and Staff Required to grow the Local Economy**

It will be essential that there is a sufficiently large and skilled workforce to meet predicted growth in key local sectors and encourage new businesses to set up in Argyll. A large number (86%) of local businesses have reported problems recruiting suitably trained staff to fill vacancies with half of all surveyed expecting to recruit additional staff over the next two years. Local education establishments are key and will require to engage with local employers to offer training which is tailored to meet the opportunities being created by expanding sectors that will in turn provide the high quality employment required to attract and retain people of working age to Argyll and Bute.

DRAFT

## Infrastructure Projects

---

A key priority of the Single Investment Plan is that it will form the foundation for an economic case for additional funding being directed towards Argyll and Bute to help deliver the critical infrastructure projects required to generate economic growth and address our population challenges. A detailed review has been undertaken of planned infrastructure projects led by either Argyll and Bute Council or other partners that will assist with the delivery of the five key infrastructure goals identified. Some of the projects identified will require to be delivered at a **Strategic National Level** (e.g. public utilities, trunk road and ferry upgrades) and these have been included within the SIP given their critical importance to the area. **Strategic Regional Level** infrastructure projects have also been grouped under the 5 key infrastructure goals previously identified.

From the extensive list of projects identified the Council and key stakeholders have identified the strategic projects that it is considered will deliver a step change in economic activity in the area. Projects will require suitable funding mechanisms to be identified, detailed costings, designs and full business cases to be developed in line with the Treasury's Five Case Model methodology. The Single Investment Plan (SIP) can also be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.

The Council also hope to work in partnership with the Scottish and UK Government to secure the funding required to accelerate the delivery of some or all of these strategic projects via a Rural Growth Deal.

## Strategic Infrastructure Projects – National Level

### Key Goal: High Quality Mobile and Broadband

The Scottish Government recognise the importance of high quality mobile and broadband connectivity to the national economy and has given a commitment to “provide the physical and digital connectivity to ensure that all of Scotland is open to the national and global economy”. Argyll and Bute has very limited 3G and 4G mobile coverage with approximately 29% of premises receiving 4G and 41% 3G (outdoor coverage). This drops to only 8% indoor coverage for 4G and 29% for 3G ([Ofcom Connected Nations 2016 report](#)) and this lack of mobile connectivity represents one of the most significant barriers to economic and inclusive growth in the region impacting the opportunities for local businesses to compete and grow and residents to access essential services remotely.

Argyll and Bute Council aim to work with the Scottish Government to identify funding for the following

●	<b>Super-fast hubs at Key Business Sites</b> This project aims to deliver super-fast broadband at key business sites including Machrihanish, Sandbank, Kilmory and the European Science Park. The estimated cost of this project is approximately £300k per site.	<b>£1.2m</b>
●	<b>Mobile Infrastructure Enabling Fund</b> – Building on the work of the Scottish Government to fund the roll out of high speed broadband it is essential that mobile internet service coverage is also improved in Argyll and Bute. This fund will assist operators deliver new masts and infrastructure required to ensure 100% 3G/4G mobile internet coverage in residential areas of Argyll and Bute by 2021.	<b>£10m</b>

### Key Goal: Improved Transport Links

#### Roads

●	<b>A83 Trunk Road Investment</b> - Lobby Transport Scotland for improvements to the local trunk road network including continued investment on the A82 corridor a permanent solution at the A83 Rest and Be Thankful, and upgrading sub-standard sections of the network (e.g. A83 Tarbert to Lochgilphead corridor).	<b>£100m</b>
●	<b>A85 Trunk Road Investment</b> – Lobby Transport Scotland for further investment in the A85 between Oban and Tyndrum to reduce journey times to Glasgow.	<b>£TBC</b>
●	<b>Argyll Fixed Links</b> - Investigate the potential for fixed links between Colintraive and Rhubodach, Cowal and Inverclyde and a Loch Fyne Crossing in the vicinity of Lochgilphead and Otter Ferry.	<b>Circa £1bn</b>

#### Rail

●	<b>Rail Enhancements</b> – Lobby Transport Scotland / Network Rail / Scotrail for investment in rail infrastructure to increase service frequencies and reduce journey times to the Central Belt from key settlements such as Oban and Helensburgh. In addition, improve facilities on trains and at stations	<b>£TBC</b>
---	---	-------------

(cycle parking, lockers, park and ride, space for bikes on trains) to improve opportunities for multi-modal journeys.	
---	--

### Infrastructure to Support the Scottish Ferries Plan

●	<b><u>Dunoon – Gourock Ferry Upgrades</u></b> – Lobby the Scottish Government for improvements to the Dunoon to Gourock Town Centre ferry service including replacement vessels to address issues with service reliability.	<b>£6m-£12m</b>
●	<b><u>Local Ferry Service Improvements</u></b> - Assist the Scottish Government in the delivery of the proposals to improve local ferry services set out in the Scottish Ferries Plan including improved timetabling, booking and ticketing and vessel / shore side infrastructure.	<b>£TBC</b>
●	<b><u>Gigha / Tayinloan Pier Upgrades</u></b> - Funding required for potential upgrades including a new breakwater and overnight berth to accommodate a new hybrid ferry on this route.	<b>£2m</b>
●	<b><u>Iona Breakwater/ Fionnphort Pier Extension</u></b> - Funding required to construct a new breakwater at Iona to assist the delivery of lifeline ferry services to the island and to extend the Fionnphort pier structure in order to provide an overnight berth for the Iona Ferry.	<b>£4m</b>
●	<b><u>Craignure Pier Upgrades</u></b> - Improvements to pier infrastructure including fendering system, potential new linkspan, dredging and a replacement passenger access facility in light of RET and Scottish Ferries Plan proposals. The works required at Craignure will be dependent on confirmation from the Scottish Government of future vessel specifications for this route. It may also be necessary to consider the feasibility of constructing a second pier at Craignure to accommodate enhanced lifeline ferry services and the predicted increase in large cruise vessels.	<b>£15m-£30M</b>
●	<b><u>Investment in Council Ferry Services</u></b> – Investment is required to safeguard the operation of the four Council ferry services to the islands of Jura, Luing, Lismore and Easdale. These ferry services were recognised in the Scottish Ferries Plan with options over potential transfer of responsibility in line with other lifeline ferry services.	<b>£9M</b>

### Key Goal: Market and Promote Argyll and Bute

●	<b><u>Cruise Ship Marketing</u></b> - Undertake a marketing project to encourage increased numbers of cruise vessels to visit key ports in Argyll.	<b>£250k</b>
●	<b><u>Active Tourism</u></b> - Building on the success of the “Wild About Argyll” marketing campaign continue to promote Argyll and Bute as Scotland’s Adventure Coast and a key destination for adventure/active tourism including cycling, walking, off-road biking, water-based activities, golf and much more. <a href="http://www.wildaboutargyll.co.uk/wild-about-exploring">http://www.wildaboutargyll.co.uk/wild-about-exploring</a>	<b>£250k</b>
●	<b><u>Food and Drink</u></b> – Enhance the marketing and promotion of local food and drink products from Argyll including whisky from one of the 14 distilleries locally brewed ales, creamy cheeses, fresh seafood, game and farm reared meat. <a href="http://www.foodfromargyll.com">http://www.foodfromargyll.com</a>	<b>£250k</b>
●	<b><u>Cultural Tourism</u></b> - Enhanced marketing, promotion and support to stimulate growth in the following culture, heritage and arts industries;- <ul style="list-style-type: none"> <li>● Dance and Drama</li> <li>● Film, Digital and Literature</li> <li>● Music</li> <li>● Visual Arts and Crafts</li> </ul>	<b>£250k</b>

	<ul style="list-style-type: none"> <li>• Gaelic</li> <li>• Heritage</li> </ul>	
--	--	--

**Key Goal: Skills and Staff required to grow local economy**

<ul style="list-style-type: none"> <li>• <b>MOD Maritime Change Programme</b>– HMNB Clyde has been designated by the Royal Navy as their “UK Submarine Centre of Specialisation” and will see all UK Submarine operations delivered from the Clyde by 2020. This will reinforce the long term future of Faslane and Coulport and will result in an increase in military personnel of 1,700 by 2022. Supporting infrastructure (housing, schools, transport, spousal support) will be required to underpin this major national programme.</li> </ul>	<b>£1bn</b>
<ul style="list-style-type: none"> <li>• <b>Machrihanish Spaceport</b> – One of five permanent locations across the UK shortlisted as a potential Spaceport site. The UK Government aims to establish an operational Spaceport by 2018 and Argyll and Bute Council and the Machrihanish Airbase Community Company (MACC) are working together under the title Discover Space UK to secure a license to operate a commercial spaceport. If successful the site will be used as a base for space travel and tourism, as well as satellite launches.</li> </ul>	<b>£TBC</b>

## Strategic Infrastructure Projects – Regional Level

### Key Goal: Improved Transport Links

#### Roads

●	<b>B836/A8003/B8000 Road Upgrades</b> - Identify potential funding packages to upgrade road infrastructure linking Dunoon, Colintraive and Portavadie	£40M
●	<b>Active Travel Infrastructure Upgrades</b> -Continue to work with Sustrans, HITRANS and the Scottish Government to maximise external grant funding for active travel projects such as cycle paths and footways.	£TBC
●	<b>Helensburgh Park and Ride</b> –Work in partnership with SPT to deliver a park and ride facility on the former gasometer site in Helensburgh which will be used by commuters in the town and relieve pressure on town centre car parking spaces.	£400k
●	<b>Helensburgh and Lomond Cycleway</b> – In partnership with SPT and Sustrans deliver remaining sections of the Helensburgh and Lomond cycleway linking Helensburgh with Dumbarton along the A814 corridor.	£3m
●	<b>Rosneath Peninsula Active Travel Link</b> – Funding is required to deliver an active travel link between the village of Rosneath and the local holiday park. The Council are working in partnership with Sustrans to identify a design and potential funding streams.	£1M
●	<b>A816 Lochgilphead - Oban Route Upgrade</b> - Investigate potential funding options to undertake improvements to carriageway width and alignment and improve journey times between Oban and Lochgilphead supporting economic growth along this corridor.	£40m
●	<b>B842 Claonaig Bridge</b> - Replace the bridge which is a vital link in local network and key access to local ferry services.	£1m
●	<b>Campbeltown Flood Alleviation Scheme</b> - Reduce risk of flooding and associated impacts to local economy caused by damage to property and closure of strategic roads including the A83 trunk road.	£9m
●	<b>Oban Town Centre Traffic Management</b> - Investigate options to reduce congestion and improve traffic flows in and through Oban Town Centre through new/upgraded road, parking and active travel infrastructure.	£2m
●	<b>Oban Development Road</b> - Construction of a new access road to release potential development corridors in Oban. This road could also fulfil a function as a relief road for Oban Town Centre.	£40m
●	<b>Key Island Localised Surface Access (Mull/Kerrera/Luing/Seil/Easdale)</b> – Project to upgrade single track section of the <b>A848 between Salen and Tobermory</b> on Mull and construction of a <b>new road on Kerrera</b> to connect the north and south ends of the island and remove the requirement for 2 separate ferry services to the island. Construct a <b>new bridge on the A849 at Pennyghael</b> to ensure continued connectivity to/from Iona and South West Mull. Replace the <b>B844 Kilninver bridge</b> to ensure continued reliable road link to/from Luing/Seil/Easdale islands.	circa £15m

#### Air Services

●	<b>Oban Airport Route and Infrastructure Development</b> - Deliver new air routes into Oban Airport to expand into new markets. Glasgow, Edinburgh and Barra are potential routes identified in a HITRANS study.	£3.5m
---	--	-------

### Key Goal: Market and Promote Argyll and Bute

●	<b>Mountain Biking Development Funding</b> – Funding is required to develop a local mountain biking centre in which will include a series of local trails to cater for all abilities and associated visitor facilities. This facility would be a key, year round tourism attraction for the area in a market where mountain biking tourism is currently turning over £90m nationally and predicted to grow to £117m by 2025. (Scottish Enterprise Estimating the Holistic Value of Scotland’s Mountain Bike Sector)	£3m
●	<b>Knapdale Regional Park</b> – Working in partnership with key agencies such as Visit Scotland, Scottish Canals and Argyll and the Islands Tourism Cooperative (AITC) to promote the Knapdale area as a regional park including key destinations such as Kilmartin Glen and the Crinan Canal enhancing opportunities to grow local active, cultural, arts and wildlife tourism.	Feasibility / support

### Key Infrastructure Priority: Wide Range of Housing and Business Accommodation

●	<b>Delivery of SHIP Housing Targets</b> - minimum of 550 new affordable homes by 2021/22 and 650 – 850 private market housing.	£TBC
●	<b>Ardyne Strategic Masterplan Area</b> – Strategic Area for action, develop the former oil rig construction yard site (Strategic Masterplan Area MAST 1/1) suitable for a mixed use development comprising tourism, business (marine aquaculture), leisure, housing.	£TBC
●	<b>Tarbet &amp; Arrochar Tourism Business Enabling Infrastructure</b> – Funding is required to deliver the enabling infrastructure (roads, sewerage, water and electricity) for a potential tourism development on the former torpedo range site adjacent to Arrochar. This development would create local employment opportunities and would cater for the significant tourism demand generated by local hill walking and mountain biking trails and water based activities on Loch Long (diving, kayaking, sailing). Previous estimates to develop the full site are in the region of £40m (depending on specification of development).	£5m (estimated)
●	<b>Craigendoran Business Park</b> – New business facilities required to support the proposed maritime change programme at Faslane with a particular focus on marine engineering / servicing. Costs associated with the new Business Park include providing a new access, all internal roads and pavements, all sewerage, lighting, electricity, water and other infrastructure works including digital infrastructure and business units.	circa £4m
●	<b>Training Facility / Science Park, St Andrews Site</b> – There is the potential to develop the former St Andrews school site adjacent to the Faslane Naval Base to provide a training facility or alternatively a science park development to support the proposed MOD Maritime Change Programme.	£10m (estimated)
●	<b>Inveraray Strategic Masterplan Area</b> - Mixed use / village expansion / housing / business / retail / community facilities.	£TBC
●	<b>Bowmore Strategic Masterplan Area</b> - Mixed use / village expansion / housing / business / retail / community facilities.	£TBC
●	<b>Sea water pipeline and enhanced digital facilities at MACC site</b> – A new sea water pipeline is required to enable growth of land based aquaculture at this site.	£3m

### Key Goal: Skills and Staff required to grow local economy

●	<b>Oban University Town- Work</b> with Local partners including HIE, SAMS and Argyll College to promote Oban as a university town. This will require high quality student accommodation to be developed and expanding UHI and Argyll College undergraduate courses in addition to working with local employment sectors to tailor training courses to meet local employment opportunities / requirements.	<b>£TBC</b>
---	---	-------------

DRAFT

## Funding Opportunities

---

The SIP has identified strategic infrastructure projects that will contribute to economic growth in Argyll and Bute however another key purpose of this document is identifying potential funding mechanisms (**Appendix B**) that will pay for the delivery of priority projects.

Potential funding mechanisms that have been considered include:

- Utilising existing capital and revenue budgets (both Council and Stakeholders);
- Maximising the potential to secure grant funding including using existing budgets for match funding where feasible;
- Prudential borrowing (details from finance);
- Private sector investment and actions that can be taken by the Council to maximise and accelerate this;
- Argyll, Lomond and the Islands Rural Regeneration Initiative;
- Rural Growth Deal – working with the Scottish and UK Government to secure a funding package to invest in local projects that stimulate economic growth;
- In-kind support to priority projects e.g. staff time, council land etc.

## Appendix A – Community Planning Partnership Documents

In developing the Single Investment Plan (SIP) these documents have been reviewed in order to provide renewed focus on the essential infrastructure required to help deliver a step change in economic activity in the area. These plans include:

- Strategic Economic Development Action Plan (EDAP) 2016 – 2021;
- Area-based Economic Development Action Plans, 2016-2021;
- Community Plan and Local Outcome Improvement Plan 2013- 2023;
- Argyll and Bute Economic Forum Report 2016;
- Local Housing Strategy 2011 – 2016;
- Strategic Housing Investment Plan 2013 - 2018;
- Local Development Plan 2015;
- Historic Environment Strategy 2015 – 2020;
- Woodland and Forestry Strategy;
- HITRANS / SPT Regional Transport Strategies;
- Scottish Ferries Plan;
- Argyll and Bute Transport Connectivity and Economy Research Report June 2016;
- HIE Operating Plan and HIE Argyll and the Islands Area Team Plan 2016/17;
- EKOS Compelling Argyll and Bute and its Administrative Areas Strategic Overview Report August 2015;
- Renewable Energy Action Plan (REAP);
- Scotland's Economic Strategy March 2015;
- Highlands and Islands Skills Investment Plan;
- Argyll and Bute Developing the Young Workforce (DYW) Regional bid (initiative duration 2017-2020); and
- Highlands and Islands Talent Strategy and Action Plan.

## **Appendix B – Funding Opportunities**

### **Argyll, Lomond and the Islands Rural Regeneration Initiative**

The Argyll, Lomond and the Islands Rural Regeneration Initiative will be the Council's new primary programme aimed at delivering the Local Outcome Improvement Plan's overarching vision to build the economy through a growing population. This initiative will encompass all existing and new strategies and plans relating to population and economic growth into a single and cohesive programme which will assist with delivering our strategic objectives. The Argyll, Lomond and the Islands Rural Regeneration Initiative will include the newly created Inward Investment Fund, the Rural Resettlement Fund and the Lochgilphead and Tarbert Regeneration Fund further details of which are set out below.

#### **The Inward Investment Fund**

The Argyll and Bute Council 2016-17 Budget included an announcement of a £1million Inward Investment Fund which will form an important part of the Argyll, Lomond and the Islands Rural Regeneration Initiative. The purpose of this fund is to assist with the growth of the Argyll and Bute economy through the development of a small number of larger transformational projects that have the potential to attract additional match funding, partner involvement or contribute to overcoming barriers to economic growth. Projects are likely to come forward from Argyll and Bute Council but may also include partnerships with other public sector partners as well as private business or third sector organisations and this fund will cover projects across the whole of Argyll and Bute. Each investment proposal will be based on a business case clearly demonstrating that projects meet the following essential criteria:-

- Alignment to current strategic priorities of the Council and our Community Planning Partners;
- A deliverable and demonstrable economic benefit;
- Potentially transformational change (e.g. Spaceport, Oban as a University Town) and/or promotes inward investment that supports the Council's existing infrastructure;
- Creates jobs;
- Ability to attract additional funding and partner involvement.

#### **Lochgilphead and Tarbert Regeneration Fund**

Allocation of £3m to support projects which promote the regeneration and/or economic development of Lochgilphead, Ardrishaig and Tarbert. This fund will form an integral part of the Argyll, Lomond and the Islands Rural Regeneration Initiative and it is an important opportunity to support proposals which aim to improve the economic opportunities within the Mid Argyll area. It is anticipated that the fund will focus on a small number of projects which can make a meaningful improvement to the local area and which meet the following criteria:-

- Their ability to create jobs, grow the population and/or stimulate private sector activity that will deliver these results;
- Extent to which they support the delivery of the Single Outcome Agreement;
- Whether the proposal is included within the Council's Mid Argyll Kintyre and the Isles Economic Development Action Plan;
- The amount of match funding from partners;
- Demonstration of SMART economic and social outcomes for each community; and/or

- Their contribution to overcoming barriers to economic growth and sustaining prosperous communities.

### **The Rural Resettlement Fund**

The main objective of the £500k Rural Regeneration Fund will be to help incentivise new residents and/or new businesses to relocate to Argyll and Bute with a focus on attracting economically active people in an effort to grow our population with the benefits of creating economic activity and increasing the Council's Grant Aided Expenditure (GAE).

### **Rural Growth Deal (RGD)**

Argyll and Bute Council have commenced communication with the UK and Scottish Governments with a view to developing a growth deal for the region similar to those recently agreed with other local authorities or in the process of being taken forward. If successful, this will involve joint investments from both governments and Argyll and Bute Council in order to achieve our overall aims and objectives.

### **High Quality Mobile and Broadband**

In May 2016, Scottish ministers committed to deliver 100% superfast broadband coverage in Scotland by 2021. It is anticipated that improved broadband connectivity will stimulate economic growth and Scotland's international competitiveness and the following projects will extend access to the fibre network in Argyll and Bute:-

Next Generation Broadband (Highlands and Islands) - £146m – fully funded

Next Generation Broadband (Rest of Scotland) - £246m – fully funded

Community Broadband Scotland - £7.5m – fully funded

Gigaplus Argyll - £1.1m – fully funded

### **Wide Range of Housing and Business Accommodation**

#### **Scottish Government Grant (the Affordable Housing Supply Programme – AHSP)**

The Council are working with the Scottish Government to increase and accelerate the supply of affordable housing in Argyll and the AHSP minimum Resource Planning Assumptions (RPA's) for Argyll and Bute in the period until 2020 will total approximately £31m as follows:-

- 16/17 - £11.075m;
- 17/18 - £8.860m;
- 18/19 - £6.645m;
- 19/20 - £4.430m.

#### **Argyll & Bute Strategic Housing Fund – SHF**

In the current context of reduced public subsidy and limited access to private finance, the Council's Strategic Housing Fund (SHF) has a critical role to play in ensuring the viability of many projects. This Fund was established in 2007 and mainly comprises the revenue derived from the Council Tax on second homes with additional resources from residual HRA

monies and will potentially also include future commuted sums. As of March 2014 the balance was £10.241m, comprising £6.612m in approved commitments for programmed developments still to be drawn down, and an uncommitted balance of £3.629m.

### **Registered Social Landlord (RSL) Private Finance Resource**

Banks and other lenders in the private sector also remain vitally important partners in the delivery of affordable housing and the Council will explore potential funding models to deliver housing.

### **Improved Transport Links**

#### **Existing Capital Funding**

In allocating future capital budgets, consideration will be given as to how the Council's capital funds can be used to assist with the delivery of some of the key transport priorities identified, in particular where existing budgets could be used as potential match funding for external grants.

#### **Scottish Government and Regional Transport Partnerships (RTP's)**

The Council will continue to work with the Scottish Government to secure increased investment in local transport infrastructure and services. Approximately £14m has been invested by Transport Scotland in recent years upgrading the A82 trunk road with a new £5m bypass at Crianlarich and £9.2m invested removing the pinch point at Pulpit Rock. Further upgrades are proposed on the A82 between Tarbet and Inverarnan which will improve road safety and journey times. In addition, £10m has been invested on the A83 to mitigate against the risk of landslides, upgrade the relief road and further improvement schemes will be undertaken on areas of the network such as Strone Point and Dunderave. This investment is essential to the economy of the region and the Council will continue to work with Transport Scotland and the RTP's to lobby for increased investment in our local trunk road network including identifying a permanent solution at the A83 Rest and Be Thankful. In addition, the Scottish Government have recently advised of their intention to review the National Transport Strategy (NTS) and Strategic Transport Projects Review (STPR) and Argyll and Bute Council will engage with the Scottish Government during the review process to ensure that the best interests of Argyll and Bute are considered as part of the Scottish Governments future investment priorities.

#### **Sustainable and Public Transport Projects**

We will continue to work closely with partners such as Sustrans, the Scottish Government and RTP's to maximise the levels of external grant funding secured for sustainable and public transport projects in Argyll and Bute. We will use existing Council budgets where possible as match funding for projects.

#### **Local Transport Services**

Argyll and Bute Council subsidises local air, ferry and bus services that are essential to our rural and island communities. Despite the challenging financial climate the Council will also grow services where possible and we are working with HITRANS, operators and key partners to explore the potential for establishing new air services from Oban Airport, in particular potential links to Edinburgh and Glasgow. We continue to support the Scottish Government implementing the proposals set out in the Scottish Ferries Plan (2013 – 2022) including the potential transfer of Council ferry services to the Scottish Government.

### **Community Transport Services**

In addition to public transport services, Argyll and Bute Council provide grants totalling £90k per annum to a range of groups providing community transport services. These services play a vital role in assisting residents to live independently and access key services such as education, employment, health and leisure activities. This is particularly significant in rural areas such as Argyll and Bute where public transport services are often limited.

### **Market and Promote Argyll and Bute**

Argyll and Bute is one of only four local authority areas in the 2011 census to show a decrease in population and future population projections suggest a reduction in total population of 7.2% from 2010 to 2035.

Argyll and Bute Council recognises the need to grow the population of the area and undertook a number of proactive measures to securing employment and prosperity for the area by attracting more people to Argyll and Bute.

The Compelling Argyll and Bute and its Administrative Areas study was commissioned in 2015 to engage with a range of stakeholders to undertake detailed economic profiling and analysis of Argyll and Bute and each of the four sub-areas, with a particular focus on skills development issues. This provided an understanding of the positive benefits of visiting, investing, living and working in the area and potential specific interventions to address existing challenges.

An Argyll and Bute Economic Forum was established that brought together members of the area's key business sectors, leading agencies, as well as local and national government representatives. The chairman of this forum reported on key opportunities, from a business perspective, in early 2016.

The Council has implemented and commissioned a multi-million pound investment in economic development initiatives to encourage people to live, work, visit and invest in Argyll and Bute.

In 2015, the Council invested in new posts within economic development, including a promotions and marketing officer to promote Argyll and Bute as a place to live, work and invest. This officer has developed a marketing strategy to establish Argyll and Bute as a destination for families, working age individuals and businesses to relocate, live, work and grow together with their local communities.

A range of communication channels will be used to get these messages across including, but not limited to:

**Web/social media** – currently Argyll and Bute has low-level recognition with search engines, compared with ‘Highlands’, ‘Scotland’, ‘Loch Lomond’ or ‘Hebrides’. We must work with partners to increase its relevance and profile.

**Film and photography** – develop a library of photography from existing (partner) and newly commissioned work that reflects life and work in Argyll and Bute. These can be used in print and digital communications.

**Print/advertising** – this should be kept to a minimum but should be of high-quality for use with high-level pitches and inward investment opportunities.

**Press and PR** – this will continue to be delivered through the Council’s communication’s team, with the Marketing and Promotions Officer providing leads for good news stories that can be pitched to the media.

**Events and face to face** – appropriate events and expos will be identified.

**Endorsements/Case studies** – these will come from private sector, other agencies, individuals etc for use in a variety of media including news releases, website, social media etc. This will also include working with partners to ensure a collaborative approach and sharing of good practice.

With the amount of financial investment being taken forward by the Council and its partners past and future, its abundant heritage and culture coupled with its natural resources, Argyll and Bute has much to offer, including excellent schools and strong, safe communities. There is a clear programme of action to deliver improved connectivity, improve transport infrastructure and deliver increasing numbers of affordable homes. What is required is a narrative and mechanism to share this story. In creating this compelling story for Argyll and Bute, the strategy will be to highlight the plus points and tackle the challenges by clearly demonstrating the measures being taken to address them.

### **Skills and Staff Required to Grow the Local Economy**

Argyll and Bute Council are taking forward an initiative to build a number of new, high quality schools that will help realise our ambition to make Argyll and Bute a place people choose to live, learn, work and do business. The new schools will provide a modern environment for our children to learn and succeed and will also provide community facilities such as sports pitches and halls. New secondary schools are planned for Oban and Campbeltown and new primary schools in Kirn and Dunoon.

The new schools are being delivered by Argyll and Bute Council in partnership with hub North Scotland Ltd and the Scottish Futures Trust through the Scottish Government’s Schools for the Future Programme and the total value of these projects is as follows:-

- Oban High School - **£36m**;
- Campbeltown Grammar School - **£26m**;
- Kirn Primary School - **£9m**;
- Dunoon Primary School - **£TBC**.

In light of the investment in high quality school education infrastructure it is also crucial that a choice of further education opportunities is available within Argyll in order to retain more

young people. This will require input from local growth sectors, businesses and the key organisations responsible for delivering further education to ensure courses are aligned with the skills and training requirements of local employers. An example of this partnership working is the Oban University Town Steering Group which has been set up to oversee the delivery of this transformational project for Oban and includes representation from HIE, Argyll and Bute Council, Argyll College UHI, SAMS UHI, and the University of the Highlands and Islands.

DRAFT

---

**UPDATE ON THE PROGRESS OF DISCOVER SPACE UK (DSUK)**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this paper is to provide the Policy and Resources Committee with an update on work already undertaken together with the future direction of travel for the Discover Space UK (DSUK) consortium, of which, Argyll and Bute Council is a consortium partner.
- 1.2 DSUK, working with consultancy Capital Ambassadors, has been developing networks through attendance/presentations at conferences and meetings with UK and global aerospace industry leaders. They have had success in fostering interest in the location by being active within the network of potential spaceports and by ensuring that the full potential of the site and Campbeltown is understood at a UK level.
- 1.3 Campbeltown Spaceport has the potential to be a transformational project for both the Argyll and Scottish economy which requires an initial investment to take it to the next stage of development. It is proposed that the next phase of activity, carried out by Capital Ambassadors, on behalf of DSUK, will provide significant returns in terms of determining the direction that DSUK will take in developing a Space-based business plan. The total cost of this new period of enhanced activity is £120,000.
- 1.4 The Department for Transport has changed the process to becoming a spaceport. Sites will be invited to apply for a licence to operate a spaceport. To this end the UK Government has just published a "Draft Spaceflight Bill", for the purpose of regulating space activities, sub-orbital activities, and associated activities carried out in the United Kingdom. Previously, the process meant that the applicant must apply to be the sole delivery agent for all activities of a modern spaceport. While the new model potentially lends itself to more than one spaceport, this is still a highly competitive process, hence the request for funding support through the next phase.
- 1.5 Members are asked to:
  - Note the content of this paper.
  - Approve the request for funding of £40k drawn from the established Inward Investment Fund as the Council's contribution to the new period of enhanced activity.

---

**UPDATE ON THE PROGRESS OF DISCOVER SPACE UK (DSUK)**

---

**2.0 INTRODUCTION**

- 2.1 The purpose of this paper is to provide the Policy and Resources Committee with an update on the work already undertaken together with the future course of activity for the Discover Space UK (DSUK) consortium, of which, Argyll and Bute Council is a consortium partner.
- 2.2 DSUK, working with consultancy Capital Ambassadors, has been developing networks through attendance/presentations at conferences and meetings with UK and global aerospace industry leaders. They have had success in fostering interest in the location by being active within the network of potential spaceports and by ensuring that the full potential of the site and Campbeltown is understood. In addition, their preparatory work is laying groundwork for influencing what a UK spaceport should be and how the Machrihanish site has the scope and ambition to meet the needs of the growing UK space industry. A number of visits to Machrihanish by industry representatives and local MPs and MSPs have also been facilitated.
- 2.3 Campbeltown Spaceport has the potential to be a transformational project for the Argyll and Scottish economies which requires initial investment to take it to the next stage of development. It is proposed that the next phase of activity, carried out by Capital Ambassadors on behalf of DSUK, will provide significant returns in terms of determining the direction that DSUK will take in developing a space based business plan. Further marketing of the possibilities of DSUK as a significant player in the process to become the UK's Spaceport will also be undertaken. The total cost of this new period of enhanced activity is £120,000.
- 2.4 The Department for Transport has changed the process to becoming a spaceport. Sites will be invited to apply for a licence to operate a spaceport. To this end the UK Government has just published a "Draft Spaceflight Bill", for the purpose of regulating space activities, sub-orbital activities, and associated activities carried out in the United Kingdom. Previously, the process meant that the applicant must apply to be the sole delivery agent for all activities of a modern spaceport. While the new model potentially lends itself to more than one spaceport, this is still a highly competitive process, hence the request for funding support through the next phase.

**3.0 RECOMMENDATIONS**

- 3.1 Members are asked to:
- Note the content of this paper
  - Approve the request for funding of £40k drawn from the established Inward Investment Fund as the Council's contribution to the new period of enhanced activity.

## 4.0 DETAIL

- 4.1 DSUK has been part funded by the Council since June 2015. To date, Argyll and Bute Council has invested a total of £30,000 of core funding utilising existing budget in phase one of the project. DSUK is very clear that any developments at the site should carry with them long-term, sustainable employment for the local community and comply with all health and safety requirements. They are clear that this should not be a facility where people fly in, launch a rocket, and leave. What is of utmost importance are the delivery of downstream research and development jobs associated with the space industry that can be brought to the area and its associated industrial supply requirements. If DSUK is successful in their bid to become a UK space port it has the potential to lead to a transformational change in the employment opportunities in Kintyre, Argyll and Bute and Scotland. However, There is no site specific economic analysis available anywhere to date. Current UK Government target is to capture 10% of the £400 billion global space market by 2030 with potentially 100,000 skilled jobs being generated in the UK. It is anticipated that 20% of that future £40bn will be generated from 'launch services', including spaceport related activities, hence the government's requirement to have a spaceport as a catalyst to achieving that growth. In 2012–13 the UK space economy generated a turnover of £11.8 billion, directly employed over 35,000 people and had delivered year on year economic growth rates of around 8% over the previous decade.

### Westminster Event

- 4.2 At the end of 2016, Brendan O'Hara MP offered to host a briefing event at the Palace of Westminster to present Campbeltown's case for a spaceport to MPs and invited guests from the aerospace industry. The event was organized by Mr O'Hara's office, Argyll and Bute Council's economic growth and marketing staff, and MACC. Invitations were sent to MPs and Industry representatives. The event received substantial media coverage on the day (BBC news, radio) and subsequent to the event (press coverage) which has helped to raise the profile of Machrihanish at a UK level.
- 4.3 The event served to provide a platform to deliver a clear outline of the Campbeltown offer for a spaceport. The picture was one of a facility with the necessary infrastructure required, an ability to deliver the stringent safety criteria as well as the backing of the local authority, enterprise agency and local community. Feedback from guests leaving the event was that they had welcomed the opportunity to attend and had found the information they received highly informative and useful. The event also helped to raise the profile of Argyll and Bute as a place to do business in with a number of positive comments received in relation to Argyll and Bute Council being so supportive of such a venture.
- 4.4 Contacts were also made with additional members of staff from Innovate UK, UK Space Agency, the Satellite Applications Catapult, Bird and Bird (an influential legal practice) and In-Space Missions Limited. Two requests for site visits were made with one now arranged for late February 2017.

- 4.5 A further development announced at the Westminster event was that DSUK has signed Memoranda of Understanding (MoU) with Telespazio VEGA UK and Qinetiq. Under the terms of the MoU partners have agreed to investigate the launch capability at the Campbeltown Spaceport, develop feasibility and business cases as well as engaging with government and other stakeholders to advance the UK space industry. These are two major players in the aerospace industry and while these MOUs are not exclusive, this is the first time either company has signed one with a potential spaceport site. This underlines the credibility of the Campbeltown case as put together by DSUK and Capital Ambassadors so far.

### **Outputs resulting from first Developmental Phase**

- 4.6 The consultants used in the first development phase enabled DSUK to do the following:
- Identify and rank likely operators and users of a UK Spaceport.
  - Identify and rank spaceplane manufacturers likely to be interested in the UK.
  - Engage in informal exploratory discussions with the top 5 operators, manufacturers and users to establish:-
    - The requirements of such operator/manufacturers.
    - The alignment of MACC's facilities to those requirements.
    - The favoured operating model of the operators.
    - The hurdles envisaged in achieving operational status by 2018.
    - The nature of any "showstopper" issues.
  - Identify the steps needed to address the points established above.
  - Using existing available data provide draft scope of likely technical requirements for a UK Spaceport based on experience from existing sites worldwide and feedback from operators.
  - Using existing available data provide draft scope of likely service requirements for a UK Spaceport based on experience from existing sites worldwide and feedback from operators.
  - Identify the consultancy expertise needed to ensure next stage of the bid has maximum chance of success.
  - Report to the consortium with findings and recommendations.
- 4.7 In addition to this the consultants were instrumental in influencing the Department for Transport to change the spaceport project to become a matter of obtaining a license rather than a competition and for vertical launch to be included in the project. Furthermore, the consultants also built up an understanding of what the MACC site offers within the aerospace industry and have been pivotal in delivering the Memoranda of Understanding mentioned below.

## **Proposed outputs from the next Developmental Phase**

4.8 DSUK would like to further engage Capital Ambassadors to start developing a plan for outlining critical projects that will help it to overcome future known obstacles to development in order that the momentum built up to date is not lost.

Their proposed role will be to:

- Develop a detailed operating model with input from stakeholders and partners.
- Obtain and analyse data to develop a business model with stakeholders and partners.
- Identify key challenges, both technical and financial, and investigate and recommend solutions.
- Align all stakeholders and partners on critical projects.
- Investigate and submit funding applications from Government sources.
- Support DSUK with all questions and queries from UKSA, DfT and CAA.
- Support DSUK with a political and public opinion capture plan in association with the council and Weber Shandwick.
- Assist DSUK in discussions on the legal entity needed for future third party investment in order that control remains in local hands.

4.10 The UK Government has recently announced a grant fund that potential spaceports and industry partners can apply to. In order to access this, an outline business plan must be provided for launching small satellites or providing sub-orbital spaceflight from a UK spaceport from 2020. This fund, with an application deadline of 15<sup>th</sup> April 2017, does not have a set limit but an exceptional case would need to be made for proposals over £10m. No limit has been set on the number of proposals funded or the number of proposal an applicant can take part in.

The fund is intended to support spaceflight capabilities, such as building spaceport infrastructure or adapting launch vehicle technology for use in the UK. DSUK are investigating the possibilities of this newly announced fund, however, it is possible that this fund is not suitable for MACC's needs.

## **5.0 Financial Implications and Risks**

5.1 It is proposed that the next stage of activity, carried out by Capital Ambassadors will provide significant returns in terms of determining the direction that DSUK will take in enhanced marketing and developing a space based business plan. The total cost of this activity by Capital Ambassadors is £120,000. It is proposed that this will be paid in equal amounts (£40,000 each) by DSUK, HIE and Argyll and Bute Council. It should be noted however that given the speculative nature of this work there is no guarantee of positive outcomes for Argyll and Bute in terms of increased employment or diversification of the economy. It is however anticipated that further work here will continue to raise the profile of Argyll and Bute as a place to do business and open to new opportunities.

5.2 This next development phase of DSUK fits well with the initial purpose for funds from the Argyll and Bute Council Inward Investment Fund. The original paper presented on the 12<sup>th</sup> May 2016 to the Policy and Resources Committee outlined the following criteria believed to be relevant to the DSUK proposal;

- Alignment to current strategic priorities of the Council and our Community Planning Partners, **for example, the Single Outcome Agreement (SOA), particularly in terms of the overall objective (Argyll and Bute's economic success is built on a growing population) as well as long-term outcomes 1, 2 and 3.**
- A deliverable and demonstrable economic benefit. **DSUK strives to ensure that their bid to become the UK spaceport takes account of all levels of scale e.g. a commitment to attracting business to the area whether they attain full or partial spaceport activity.**
- Potentially transformational change (e.g. Spaceport, Oban as a University Town) and/or promotes inward investment that supports the Council's existing infrastructure. **If the DSUK bid is successful it will mean a significant step change in the number and quality of employment opportunities in Kintyre and associated Argyll and Bute supply chain.**
- Creates jobs. **MACC and DSUK are committed to ensuring that a maximum number of jobs are created locally. Contract will be made with incoming investors to ensure that employees, wherever possible, live and work in Kintyre and wider Argyll and Bute.**
- Ability to attract additional funding and partner involvement. **DSUK have made significant inroads into securing Memoranda of Understanding (MoU) with Space Industry leaders. These MoU are an indication of the high regard for the DSUK bid within the space industry. This work will be jointly funded by DSUK, HIE and the Council.**
- Each investment proposal will be based on a business case clearly demonstrating the above requirements. **The £40k funding request for the next phase provides the basis for a competent business case, allowing DSUK to maximise the opportunities for the realisation of Campbeltown as the base for the UK space port.**

A standard funding request assessment which considers policy, governance, finance, deliverability and risk has also been completed. This is attached at appendix 1.

5.3 It is the opinion of officers that this application fits well with the criteria for the Inward Investment Fund as outlined in section 5.2. If the proposed business case supports the development of a spaceport at Machrihanish, a conservative figure for the potential employment in and around the base ranges from 50+ jobs in the initial civil engineering phase, rising incrementally to 100+ potentially high end STEM jobs. In addition to this it is likely that 100+ jobs will be created in the supply chain through transport and engineering operatives. The aforementioned posts have the potential to bring between hundreds of thousands to many millions of pounds to the local economy.

It is important to note that the funding currently being requested will not bring about these jobs by itself but will enable consultants to be engaged to work towards developing a competent business case for a spaceport which is the jobs generator.

## 6.0 CONCLUSIONS

- 6.1 Working with the Discover Space UK (DSUK) consortium as a partner has involved a financial contribution of £30k from the Council, met through existing budgets and officer time over a two year period. During this time a much clearer understanding of the UK space industry and the opportunities available has been reached. With significant assistance from HIE and our local MP Brendan O'Hara it is clear that the profile of DSUK has been raised significantly following the Westminster reception.
- 6.2 In order to keep the profile of the DSUK consortium high and enable Machrihanish to be in the best place to take full advantage of the growth of the important aerospace industry there is a need for further work to be undertaken. It is proposed to continue a three way equal split on funding with the contribution from the council of a further £40k taken from the established Inward investment Fund.

## 7.0 IMPLICATIONS

- |     |                   |   |
|-----|-------------------|---|
| 7.1 | Policy            | This work supports the key aims of the Local Outcome Improvement Plan including aims 1, 2 and 3 together with the Economic Development Action Plan.   |
| 7.2 | Financial         | There is a request for funding of £40,000 to allow for the next phase taken from the Inward Investment Fund.  |
| 7.3 | Legal             | None  |
| 7.4 | HR                | None  |
| 7.5 | Equalities        | None.   |
| 7.6 | Risk              | There is no guarantee that the expenditure of additional funds will deliver additional employment and growth in GVA. However if the decision is taken not to commit additional funds it is unlikely that the necessary work will be taken to reach the next stage of the process which will be to a prepare a business case and access UK Government grant funding. |
| 7.7 | Customer Services | None.   |

### Appendix 1 – Funding request assessment

**Pippa Milne, Executive Director of Development and Infrastructure**  
**Cllr Aileen Morton, Policy Lead for Sustainable Economic Growth (Economic Development, European Affairs, Renewables and Strategic Tourism).**  
 19<sup>th</sup> December 2016

#### For further information contact:

James Paterson, Senior Economic Growth Officer, tel: 01546 604226.

This page is intentionally left blank

<u>Policy Review</u>	<u>Governance Review</u>
<p>What will impact be?</p> <p><b><i>The impact will be substantial with a significant number of high end jobs created locally. Extensive development of a science based supply chain will also be a result of this project.</i></b></p> <p>How much / many?</p> <p><b><i>The number of jobs will depend on the scale of the operations e.g. if DSUK achieves only part of the operations of a spaceport then the number of jobs will be lower than if they achieve full Spaceport operations.</i></b></p> <p>What locations?</p> <p><b><i>Campbeltown is the main location for employment opportunities, however, the supply chain is likely to be significant and pan Argyll.</i></b></p> <p>How does it relate to SOA and Council priorities?</p> <p><b><i>This work supports the key aims of the Single Outcome agreement including aims 1, 2 and 3 together with the Economic Development Action Plan.</i></b></p> <p>Does it conflict with current and other projects?</p> <p><b><i>NO</i></b></p> <p>Does it support other projects/initiatives?</p> <p><b><i>Yes there is great potential for further development if the Spaceport comes to fruition. Specifically in relation to STEM objectives.</i></b></p> <p>Can we do a SWOT analysis?</p> <p><b><i>Yes</i></b></p> <p>What is economic impact?</p> <p><b><i>If successful the impact of this project will be significant and will have a long life span.</i></b></p> <p>How many jobs created?</p> <p><b><i>Uncertain as this depends on the scale of operations achieved.</i></b></p>	<p>What is legal status of applicant?</p> <p><b><i>Company Limited by Guarantee as a subsidiary wholly owned by MACC as a vehicle towards becoming the UK Spaceport.</i></b></p> <p>Is this confirmed?</p> <p><b><i>Yes on page 7 of the Directors report – supplied to Senior Management and Finance.</i></b></p> <p>Can it do this – does it have powers?</p> <p><b><i>Yes, as above.</i></b></p> <p>Have the board / org agreed?</p> <p><b><i>Yes</i></b></p> <p>Is it duly registered if required e.g. OSCR?</p> <p><b><i>Yes, Registered number SC499199.</i></b></p> <p>Any related company / organisation?</p> <p><b><i>DSUK is wholly owned by Machrihanish Airbase Community Company (MACC).</i></b></p>

<u>Financial Review</u>	<u>Deliverability/ Risk Review</u>
<p>Proposal: DSUK Phase 2</p> <p><b><i>Campbeltown Spaceport has the potential to be a transformational project for both the Argyll and Scottish economy which requires further investment to take it to the next stage of development. It is proposed that the next phase of activity, carried out by Capital Ambassadors, on behalf of DSUK, will provide significant returns in terms of determining the direction that DSUK will take in developing a Space-based business plan. The total cost of this new period of enhanced activity is £120,000.</i></b></p> <p>Costings provided?</p> <p><b><i>Yes, as part of tendering exercise carried out by MACC/DSUK</i></b></p> <p>Have costings been verified?</p> <p><b><i>Yes, commercially sensitive tender documents have been supplied.</i></b></p> <p>Is funding in place?</p> <p><b><i>HIE and MACC have both indicated they will provide 1/3 each of the request for £120,000 i.e. £40,000</i></b></p> <p>Any ongoing costs – is there an operating business plan?</p> <p><b><i>This phase of the project leads towards a competent business plan.</i></b></p> <p>Profit and loss forecasts, cash flow forecasts and income and expenditure assumptions clear / supported?</p> <p><b><i>Yes, finance information has been provided as per requirements below. These commercially sensitive documents have been shared with Strategic Finance, the Head of EDST, Policy Lead and Executive Director of Development and Infrastructure.</i></b></p> <p>Proposer: <b>MACC/DSUK</b></p> <p>Copy of annual accounts <b>Yes</b></p> <p>Copy of 3 month bank statement <b>Yes</b></p> <p>Copy of current year financial reports / management accounts <b>Yes</b></p> <p>Copy of auditors report <b>Yes</b></p> <p>Copy of budget proposals <b>Yes</b></p>	<p>Do we have business plan / business case?</p> <p><b><i>This phase of the project leads towards a competent business plan.</i></b></p> <p>Are the assumptions clearly stated and reasonable /supported?</p> <p><b>Yes</b></p> <p>Who are partners / advisers?</p> <p><b><i>Argyll and Bute Council is a member of the DSUK consortium. Capital Ambassadors is the advisory agent for the Space industry.</i></b></p> <p>Are they sufficiently experienced?</p> <p><b>Yes</b></p> <p>Who are directors / key people in the group?</p> <p><b><i>Tom Millar, Cameron McNair, Malcolm McMillian, Archie Macfadyen</i></b></p> <p>Do they have relevant experience?</p> <p><b>Yes</b></p> <p>Have risks been clearly articulated?</p> <p><b><i>This will be detailed in the business plan resulting from this development phase.</i></b></p> <p>Have they set out their approach to managing risks?</p> <p><b><i>This will be detailed in the business plan resulting from this development phase.</i></b></p> <p>Are risk assumptions and proposed risk management reasonable?</p> <p><b><i>This will be detailed in the business plan resulting from this development phase.</i></b></p>

---

**ARGYLL & BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****CUSTOMER SERVICES**

---

**EXTRACT OF MID ARGYLL, KINTYRE AND THE ISLANDS AREA COMMITTEE  
HELD ON 1 FEBRUARY, 2017**

---

**8. SURPLUS CHORD FUNDS**

The Committee gave consideration to a report outlining proposals for allocating the surplus CHORD funds in line with the report that was approved by the Policy and Resources Committee on 18 August 2016 which delegated the allocation of any CHORD surplus funds to Area Committees to approve in accordance with the original CHORD objectives.

**Motion:**

Members agree:

1. to note the contents of the report and the detail of the £182,626 surplus CHORD funding;
2. to approve Option 1 in part and transfer £132,626 to the HES CARS initiative that will be managed by the Transformation Project and Regenerations Team within EDST;
3. that the Transformation Project and Regenerations Team bring recommendations on applications to the HES CARS initiative to the MAKI Area Committee for approval; and
4. to recommend to the March meeting of the Policy and Resources Committee agreement of the following recommendations from the Area Committee subject to the necessary due diligence and assessments being completed by officers:-
  - 4.1 Option 4 – Award £40k to Campbeltown Picture House towards its funding shortfall on the principle that it fits with objective CNO1 of the Campbeltown CHORD, noting that the Campbeltown Picture House is widely acclaimed to be one of the most architecturally important buildings of its kind in Europe and the restoration of this historic building would greatly enhance the built heritage of Campbeltown; and
  - 4.2 Option 2 – Award £10k to the Campbeltown Seasports project towards the development of a full business case to advance participation in marine sports and provide training to internationally-recognised standards, creating a strong synergy with Campbeltown marina resulting in an improved market presence and an increased utilisation of the Marina berthing facilities.

Moved by Councillor Rory Colville, seconded by Councillor Donald MacMillan

**Amendment:**

Members agree:

1. to note the contents of the report and the detail of the £182,626 surplus CHORD funding;
2. to approve Option 1 in part and transfer £122,626 to the HES CARS initiative that will be managed by the Transformation Project and Regenerations Team within EDST;
3. that the Transformation Project and Regenerations Team bring recommendations on applications to the HES CARS initiative to the MAKI Area Committee for approval; and
4. to recommend to the March meeting of the Policy and Resources Committee agreement of the following recommendations from the Area Committee subject to the necessary due diligence and assessments being completed by officers:-
  - 4.1 Option 4 – Award £40k to Campbeltown Picture House towards its funding shortfall on the principle that it fits with objective CNO1 of the Campbeltown CHORD, noting that the Campbeltown Picture House is widely acclaimed to be one of the most architecturally important buildings of its kind in Europe and the restoration of this historic building would greatly enhance the built heritage of Campbeltown; and
  - 4.2 Option 2 – Award £20k to the Campbeltown Seasports project towards the development of a full business case to advance participation in marine sports and provide training to internationally-recognised standards, creating a strong synergy with Campbeltown marina resulting in an improved market presence and an increased utilisation of the Marina berthing facilities.

Moved by Councillor Donald Kelly, seconded by Councillor John Armour.

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

Motion	Amendment
Councillor Rory Colville	Councillor John Armour
Councillor Donald MacMillan	Councillor Anne Horn
Councillor John McAlpine	Councillor Donald Kelly
	Councillor Douglas Philand

**Decision:**

The amendment was carried 4 votes to 3 and the Area Committee resolved accordingly.

(Ref: Report by Executive Director of Development and Infrastructure Services, dated 1 February 2017, submitted.)

---

**SURPLUS CHORD FUNDS**

---

**1.0 EXECUTIVE SUMMARY**

1.1. Report outlines spend Options for the surplus CHORD funds of £197,626 reported to MAKI Area Committee on the 6<sup>th</sup> April 2016 and the subsequent decision by members to seek Policy & Resources Committee approval to allocate £15,000 towards a mechanical road sweeper, thus leaving surplus funds of £182,626.

1.2. The Options are in line with the report that was approved by the Policy and Resources Committee on the 18<sup>th</sup> August 2016:

- *To delegate the allocation of any CHORD surplus funds from the original Council allocation on the 27 November 2008, to Area Committees to approve in accordance with the original CHORD objectives detailed at 4.3 of the submitted report and the town centre project activities as outlined in Appendix A.*
- *Any deviation from the aforementioned terms and conditions of the award of surplus funds would, in line with CHORD governance, require the approval of the Policy and Resources Committee*

1.3. The Campbeltown CHORD objectives are set out at Section 4.2 and funds were allocated to: generate improvements to Campbeltown's heritage and conservation sites; and to enhance berthing facilities in Campbeltown Loch and for Kinloch Road Regeneration.

**RECOMMENDATIONS**

1.4. It is recommended that the MAKI members:

1.4.1. Note the content of the paper

1.4.2. Note officers recommendation that: (1) taking account of the amount of CHORD surplus funds available; (2) the criteria for the allocation of surplus funds without reference back to Policy & Resources Committee; (3) available staff resources/capacity; and (4) the economic impact the additional funds could make to the continued economic regeneration of Campbeltown town centre, Option 1 Transferring all of the surplus funds to the Campbeltown Townscape Heritage Initiative, is the preferred option.

**SURPLUS CHORD FUNDS**

---

**2.1 INTRODUCTION**

**2.2** Report outlines proposals for allocating the surplus CHORD funds of £182,626 in line with the report that was approved by the Policy and Resources Committee on the 18<sup>th</sup> August 2016:

- *To delegate the allocation of any CHORD surplus funds from the original Council allocation on the 27 November 2008, to Area Committees to approve in accordance with the original CHORD objectives detailed at 4.3 of the submitted report and the town centre project activities as outlined in Appendix A.*
- *Any deviation from the aforementioned terms and conditions of the award of surplus funds would, in line with CHORD governance, require the approval of the Policy and Resources Committee*

**RECOMMENDATIONS**

3. It is recommended that the MAKI members:

3.1. Note the content of the paper

3.2. Note officers recommendation that: (1) taking account of the amount of CHORD surplus funds available; (2) the criteria for the allocation of surplus funds without reference back to Policy & Resources Committee; (3) available staff resources/capacity; and (4) the economic impact the additional funds could make to the continued economic regeneration of Campbeltown town centre, Option 1 Transferring all of the surplus funds to the Campbeltown Townscape Heritage Initiative, is the preferred option.

**4. DETAIL**

4.1 In 2009, the Council approved an investment of approximately £30 million for five of its waterfront towns to assist regeneration and economic development in Argyll and Bute, Campbeltown's capital funding allocation was £6.50 million. It was agreed that the projects be delivered in the context of the programme objectives for each town as outlined in the original Outline Business Cases.

- 4.2 The Tables below outlines how the Campbeltown CHORD monies were to be spent:

**Table 1 CN01 - Campbeltown Townscape Heritage Initiative**

<i>WHAT:</i>	to generate improvements to Campbeltown's heritage and conservation sites, renewing and restoring historic buildings.
--------------	---

**Table 2 CN02 - Campbeltown Berthing Facility**

<i>WHAT:</i>	the development of improved berthing facilities in Campbeltown Loch, to position the facility for an improved market presence.
--------------	--

**Table 3 CN03 - Kinloch Road Regeneration**

<i>WHAT:</i>	<ul style="list-style-type: none"> <li>• to assist ACHA with their planned development of housing and community facilities.</li> <li>• to relocate the Council's road depot to another site to facilitate the housing development proposed by ACHA.</li> <li>• to investigate the potential for environmental improvement or renewal on underutilised land adjacent to the Council depot.</li> </ul>
--------------	--

- 4.3 Anticipated benefits for Campbeltown include:

- Improved character and appearance of the gateway to Campbeltown and the town centre.
- Increased turnover and employment in the commercial, retail and hospitality sectors and through new housing.

- 4.4 On the 6<sup>th</sup> April 2016, officers reported to the MAKI Area Committee the level of CHORD surplus funds available following delivery of the three projects listed at 4.2 above. It was agreed at this meeting that officers would come forward with options for the allocation of the surplus funds, £182,626. The Options outlined below are in line with the report that was approved by the Policy and Resources Committee on the 18<sup>th</sup> August 2016, which delegated the allocation of any CHORD surplus funds to Area Committees to approve in accordance with the original CHORD objectives at 4.5. The options also take account of available staff resources to deliver the chosen option(s).

#### 4.5 **OPTIONS**

##### ***Option 1 - Campbeltown Townscape Heritage Initiative***

- 4.5.1 To date the Townscape Heritage Initiative has had a significant positive

impact upon the town: repairing occupied buildings; bringing derelict buildings back into economic use; and the general enhancement to the town centre's built environment through grant assistance from external funders including Historic Environment Scotland (HES) and the Heritage Lottery Fund (HLF). Members may wish to consider transferring the surplus CHORD funds in their entirety to the HES CARS initiative, which is being managed by the Transformation Projects and Regeneration team within EDST – **this would be in line with the Original CHORD Objective CN01**. Details of the impact the CARS and THI has made to the town, to date, is outlined below. There is currently sufficient capacity within the team to enable this option to be taken forward without any additional resources having to be allocated/diverted.

- 4.5.2 From 2007 to 2015, 77 grants were awarded via CARS and the THI leading to over £7million of repairs to town centre properties. The Council contributed £1.2million and the majority of the work was carried out by local contractors. To build on this investment, the next Campbeltown CARS will run from 2015 to 2020 with the focus on essential repairs to key tenement properties within the main core of the town centre. Repairs to priority buildings alone will safeguard the future of 20 businesses and almost 70 jobs whilst creating opportunities for new businesses. The budget available for building repairs is £1.6million plus owner's contributions. Due to the high demand for funding, it is acknowledged that this will not be enough; therefore, the additional CHORD funds will enable more projects to be supported.

## **Option 2 - Campbeltown Seasports Project**

- 4.5.3 The project is looking for financial support to enable them to develop a Full Business Case for the project. The project estimates approximate building costs of £2m. They have indicated that applying for grant support at this level of budget requires planning permission and accurate cost projections. To get to that point the project needs approximately £80,000. The Seasports partners are working hard to raise this money and have a £10,000 commitment from a private source.
- 4.5.4 Members will wish to note that of the three original CHORD Objectives both CN02 and CN03 have been delivered in their entirety. Accordingly, this proposal could only be considered against the one remaining CHORD Objective, CN01 Campbeltown Townscape Heritage Initiative. As the proposal does not: (1) sit within the defined geographic area of the Townscape Heritage Initiative; and (2) seek to 'generate improvements to Campbeltown's heritage and conservation sites, renewing and restoring historic buildings', **we do not consider that this proposal aligns with the**

**CHORD Objectives.**

- 4.5.5 If members of the Area Committee wish to support this option then that decision will require to be referred back to Policy & Resources for consideration i.e. P&R would be asked to approve whether an offer of grant could be made to the appropriate Group/s.
- 4.5.6 Subsequent to such a decision by the Area Committee, we would need to determine which current resources could be reallocated to work with the 3<sup>rd</sup> party proposers to develop the proposals to the extent that it could be taken to P&R for a decision. This may require resources to be diverted from projects which although having Council approval are currently in the early stages of development/implementation e.g. projects in Ardrishaig, Tarbert or Lochgilphead.
- 4.5.7 The allocated officers would then need to contact the groups for more information, carry out an assessment/due diligence and then report to P&R.
- 4.5.8 Members will wish to be aware of the lead in times for P&R Reports and the work involved in this. Economic Development officers are currently fully utilised in delivering the various capital regeneration and transformational projects already approved by the Council, and therefore resources would need diverted to undertake this assessment. It would not be possible to complete this assessment for the March P&R so it would have to be the next available meeting, date of which is yet to be fixed

**Option 3 - *Campbeltown Guides Hall***

- 4.5.9 The Property Committee of the local Girl Guides Group is seeking financial support to enable them to undertake works to the old church hall that currently operates as a Community Hall and their base of operations.
- 4.5.10 Members will wish to note that of the three original CHORD Objectives both CN02 and CN03 have been delivered in their entirety. Accordingly, this proposal could only be considered against the one remaining CHORD Objective, CN01 Campbeltown Townscape Heritage Initiative. As the proposal does not sit within the defined geographic area of the Townscape Heritage Initiative, **we do not consider that this proposal aligns with the CHORD Objectives.**
- 4.5.11 Members will wish to note the comments previously provided at Paragraphs 4.5.5 to 4.5.8 of this report with respect to potential resource, capacity and timescale constraints.

**Option 4 - *Campbeltown Picture House***

- 4.5.12 The project includes a number of areas, which are the responsibility of Campbeltown Community Business (CCB) rather than the main contractor.

These include cinema seating, acoustic wall linings, projection and sound equipment, furniture and AV equipment for the education/meeting room, foyer/café furniture and equipment including storeroom and kitchen fittings/equipment, and refurbishment of the courtyard office block. Some of these items were anticipated to be funded by the investment from a third party operator, but now require funding by CCB. CCB have a number of funding applications currently under consideration, however they are concerned that even if all of these were successful there would still be a funding shortfall and they are therefore seeking financial support from the surplus CHORD funds.

4.5.13 Members may wish to note that the Council has already provided funding support of £190,000 to the project to help meet a shortfall in the budget.

4.5.14 Members will wish to note that of the three original CHORD Objectives both CN02 and CN03 have been delivered in their entirety. Accordingly, this proposal could only be considered against the one remaining CHORD Objective, CN01 Campbeltown Townscape Heritage Initiative. As the proposal does not sit within the defined geographic area of the Townscape Heritage Initiative, **we do not consider that this proposal aligns with the CHORD Objectives.**

4.5.15 Members will wish to note the comments previously provided at Paragraphs 4.5.5 to 4.5.8 of this report with respect to potential resource, capacity and timescale constraints.

## 5. CONCLUSION

Taking account of the amount of CHORD surplus funds available, the criteria for the allocation of surplus funds, available staff resources and the economic impact the additional funds could make to the continued economic regeneration of Campbeltown town centre, the report has concluded that the surplus funds is best used to further enhance the town centre's built environment i.e. **Option 1 - Campbeltown Townscape Heritage Initiative.**

## 6. IMPLICATIONS

6.1	Policy	The delivery of the CHORD programme fits with the Councils' Corporate Plan, Single Outcome Agreement and approved Development Plan policy for town centre regeneration. The economic outcomes from these projects will contribute to the Government's Economic Strategy.
6.2	Financial	The level of surplus funds has been agreed with Finance.
6.3	Legal	None
6.4	HR	Option 1 takes account of current resource levels and allocation of responsibilities. Options 2 through 4 would

require resources to be diverted from other activities.

6.5	Equalities	None
6.6	Risk	See Paragraph 4.5.5. to Paragraph 4.5.8
6.7	Customer Services	None

**Executive Director of Development and Infrastructure Services: Pippa Milne**

**Policy Lead: Ellen Morton**

**For further information - please contact** John Gordon, Capital Regeneration Programme Manager, Development and Infrastructure Services, Economic Development and Strategic Transportation 01369 708457

This page is intentionally left blank

---

**ARGYLL & BUTE COUNCIL****POLICY AND RESOURCES  
COMMITTEE****CUSTOMER SERVICES****16 MARCH 2017**

---

**EXTRACT OF MINUTE OF PLANNING, PROTECTIVE SERVICES AND LICENSING  
COMMITTEE HELD ON 22 FEBRUARY 2017**

---

**\* 4. BETTER REGULATION: ARGYLL AND BUTE COUNCIL ENFORCEMENT  
POLICY**

Consideration was given to a report seeking approval for the creation of an overarching Council Enforcement Policy which embeds key principles on how the Council's enforcement services deliver their business. The Council services which have been identified as having a regulatory role include Planning and Regulatory Services (environmental health, trading standards, licensing standards, animal health and welfare, and building standards), Governance and Law (licensing and anti-social behaviour), Roads and Amenity (amenity services and roads) and Social Work.

**Decision**

The Committee agreed:-

1. to note the progress being made by services and the work planned for 2017 to adopt the principles of better regulation and sustainable economic growth;
2. to approve the Council's Enforcement Policy as detailed in Appendix 1 of the report and to forward this to the Policy and Resources Committee for further consideration;
3. that all Council regulators, with the exception of development management, review their own enforcement arrangements against the Council Enforcement Policy and Regulatory Code to ensure that these are achieved. Areas for improvement should be detailed in an Improvement Plan, together with timescales for completion within 6 months. These plans to be agreed by the appropriate Departmental Management Teams; and
4. that this report will form the basis of the Council's Annual Compliance Statement 2016/17 as required by the Code.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 6 February 2017, submitted)

This page is intentionally left blank

---

**ARGYLL AND BUTE COUNCIL**

**PLANNING, PROTECTIVE SERVICES  
AND LICENSING**

**DEVELOPMENT AND  
INFRASTRUCTURE**

**22<sup>ND</sup> FEBRUARY 2017**

---

**Better Regulation: Argyll and Bute Council Enforcement Policy**

---

**1.0 EXECUTIVE SUMMARY**

- 1.1** Recognising the importance that regulation plays on contributing to a sustainable economy, the Scottish Government has published their Strategic Regulators Code outlining the principles of “better regulation”. The five key principles are that any enforcement is accountable, consistent, proportionate, targeted and transparent.
- 1.2** There is a duty on local authorities to develop an Enforcement Policy consistent with this Code and for their enforcement services, with the exception of development management, to work towards implementing these into their regulatory activities. This report proposes that the Council recognises its regulatory remit and develops an Argyll and Bute Council Enforcement Policy to demonstrate its commitment to meeting the Scottish Governments Regulatory Strategic Code.
- 1.3** It is recommended that Members
- Note the progress being made by services and the work planned for 2017 to adopt the principles of better regulation and sustainable economic growth,
  - Approve the attached Councils Enforcement Policy and recommend that it be forwarded for Policy and Resources Committee for further consideration,
  - Agree that all Council regulators, with the exception of development management, review their own enforcement arrangements against the Council Enforcement Policy and Regulatory Code to ensure that these are achieved. Areas for improvement should be detailed in an Improvement plan, together with timescales for completion within 6 months. These plans to be agreed by the appropriate Departmental Management Teams (DMT); and,
  - Agree that this report will form the basis of the Council’s Annual Compliance Statement 2016/17 as required by the Code.

---

**ARGYLL AND BUTE COUNCIL**

**PLANNING, PROTECTIVE SERVICES  
AND LICENSING**

**DEVELOPMENT AND  
INFRASTRUCTURE**

**22<sup>nd</sup> FEBRUARY 2017**

---

**Better Regulation: Argyll and Bute Council Enforcement Policy**

---

**2. INTRODUCTION**

- 2.1** Recognising the importance that regulation plays on contributing to a sustainable economy, the Scottish Government has published their Strategic Regulators Code which outlines the principles of “better regulation”. The five key principles are that any enforcement is accountable, consistent, proportionate, targeted and transparent.
- 2.2** There is a duty on local authorities to develop an enforcement policy consistent with this Code and for their enforcement services, with the exception of development management, to work towards implementing these into their regulatory activities.
- 2.3** This report seeks Committee approval for the creation of an overarching Council Enforcement Policy which embeds key principles on how the Council’s enforcement services deliver their business. The Council services which have been identified as having a regulatory role include Planning and Regulatory Services (environmental health, trading standards, licensing standards, animal health and welfare, and building standards), Governance and Law (licensing and antisocial behaviour), Roads and Amenity (amenity services and roads) and Social Work

**3 Recommendations**

- 3.1** It is recommended that Members
- Note the progress being made by services and the work planned for 2017 to adopt the principles of better regulation and sustainable economic growth
  - Approve the attached Councils Enforcement Policy and recommend that it be forwarded for Policy and Resources Committee for further consideration,
  - Agree that all Council regulators, with the exception of development management, review their own enforcement arrangements against the Council Enforcement Policy and Regulatory Code to ensure that these are achieved. Areas for improvement should be detailed in an Improvement plan, together with timescales for completion within 6 months. These plans to be agreed by the appropriate Departmental Management Teams (DMT); and
  - Agree that this report will form the basis of the Council’s Annual Compliance Statement 2016/17 as required by the Code.

## 4 DETAIL

- 4.1 Section 5 of the Regulatory Reform (Scotland) Act 2014 has been used by Scottish Ministers to introduce the Scottish Regulators' Strategic Code of Practice. This Code places a duty on regulators to exercise their powers in accordance with the principles of better regulation (regulation should be **transparent, accountable, consistent, proportionate and targeted only where needed**) and to contribute to sustainable economic growth.
- 4.2 The Code applies to various devolved regulators and functions as well as the regulatory functions undertaken by local authorities. Regulators must take into account the Code's provisions, as well as regulator specific guidance including Codes of Practice/Frameworks, and give them due consideration when developing their policies or principles or in setting standards or giving guidance. Whilst the Scottish Government has specifically exempted development management function in the Code, the principles will be incorporated into their procedure, as appropriate.
- 4.3 The Code recognises that many regulators work with both devolved and reserved regulations and in partnership with UK Regulators e.g. Health and Safety Executive. The Code is intended to work alongside the UK Regulators' Code without additional burdens being placed on either regulators or business.
- 4.4 Laws and regulations also play an essential role in fostering a prosperous, fair and safe society. They provide essential rights and protections for citizens, consumers, workers, businesses, communities and the environment, can stimulate innovation and modernisation and support economic development. Often, achievement of regulatory outcomes delivers multiple benefits – for communities, the environment and the economy.
- 4.5 The Code suggests that all Regulators should adopt the following high level operational approaches:
- Adopt a positive enabling approach in pursuing outcomes that contribute to sustainable economic growth
  - Recognise, in their policies and practices, a commitment to the five principles of better regulation described in paragraph 4.1.
  - When fulfilling the core regulatory remit be alive to other interests, including relevant community and business interests; taking business factors appropriately and proportionately into account in their decision making processes; and protecting public health and safety
  - Adopt risk and evidence based protocols which help target action where it is needed and helps to ensure the achievement of measurable outcomes.
  - Develop effective relationships with those they regulate and have clear two-way communication in place
  - Tailor their approach depending on the nature of the sector they are

regulating and the desired outcomes. This includes a commitment to advising and supporting those who seek to comply, allied with robust and effective enforcement when justified

- Pursue continuous improvement in regulatory practice based on the principles of better regulation.

**4.6** It is expected that regulators will have mechanisms in place for gaining stakeholder feedback on both service delivery and on alignment with the Code.

**4.7** The Scottish Government is committed to making sure the Strategic Code is fully implemented. It is currently undertaking a review of the effectiveness and progress with embedding the Code, and the Council will contribute to this review.

## **5. Argyll and Bute Council Actions to Date**

The Council services which have been identified as having a regulatory role include Planning and Regulatory Services (environmental health, trading standards, licensing standards, animal health and welfare, and building standards), Governance and Law (licensing and antisocial behaviour), Roads and Amenity (amenity services and roads) and Social Work. All have been asked to consider the Code and try to establish whether their existing policies and procedures are generally in line with the Code's principles.

Feedback has generally been positive and whilst it was evident that most followed the 5 key principles and many had enforcement policies in place, it was difficult to evidence this across all areas. The absence of any overarching Council Enforcement Policy was also identified as an issue.

In general terms there is some work to do and the starting point is to agree a Council Enforcement Policy and for each service to review their own procedures against this policy. Appendix 1 details the Council's first overarching Enforcement Policy for consideration and approval.

Thereafter, it is intended that each should develop an Improvement Plan outlining actions which will be required to demonstrate that they meet the Council's Enforcement Policy, and that best practice will be shared by a Group comprising of Officers from each regulatory service.

**4.8** The Criminal Justice (Scotland) Act 2016 will introduce some key changes that will impact on police and non-police reporting agencies. Revised guidance is expected from the Crown Office later this year, and it is expected that "agencies", including the Council, will have to publish details of their "organisational arrangements" relating to enforcement. This Policy, together with the Council's Scheme of Delegation will form the basis of these arrangements although it is anticipated that further work will be necessary.

## 6.0 CONCLUSIONS

- 6.1** The Scottish Government wants all regulators to help achieve sustainable economic growth during regulatory activity. By complying with the Scottish Regulators' Strategic Code of Practice, the Council strategic priorities will also be met.
- 6.2** Better regulation plays a key role in supporting a sustainable economy as well as protecting public health and public safety. The Council has a responsibility to comply with the Scottish Government's Regulatory Strategic Code, and the approach advocated in this report, will ensure that it will have the framework to demonstrate this and deliver the necessary improvements.

## 7.0 IMPLICATIONS

7.1	Policy	This report is consistent with Council's strategic priorities and proposes a new Enforcement Policy
7.2	Financial	No financial or procurement implications associated with this report
7.3	Legal	This relates to regulatory services currently provided by the Council.
7.4	HR	No personnel related issues
7.5	Equalities	The initial screening indicates there are no equalities issues associated with this report or the amended enforcement policy which is presented for approval.
7.6	Risk	There is no risk at this stage but all parts of the Council will need to consider their policies and plans, staff training, gathering feedback etc. to ensure they are consistent with the Code and maintain the Councils reputation.
7.7	Customer Service	The enforcement policy is consistent with the Councils Customer Charter

**Executive Director of Development and Infrastructure  
Policy Lead Councillor David Kinniburgh**

6<sup>th</sup> February 2017

Ref Regulatory Services 7500

**For further information contact:** Alan Morrison, Regulatory Services Manager (Tel 01546 604292; email Alan.Morrison@argyll-bute.gov.uk.)

### APPENDICES:

Appendix 1; ARGYLL AND BUTE COUNCILS ENFORCEMENT POLICY

### Appendix 1

---

## ARGYLL AND BUTE COUNCIL ENFORCEMENT POLICY

---

### 1 Introduction

1.1 Argyll and Bute Council have a range of statutory duties where it is responsible for ensuring compliance with legislation and statute using enforcement powers.

1.2 This document sets out Argyll and Bute Council's Enforcement Policy and explains what "regulated persons" can expect from us. We have based our approach to enforcement on the Legislative and Regulatory Reform Act 2006<sup>1</sup> and the Regulatory Reform (Scotland) Act 2014<sup>2</sup>

#### 1.3 Definitions

*Regulated person(s) means anyone who must comply with the laws we enforce.*

Regulated persons will mainly be businesses and their employees but may also include non-business organisations, private individuals and Argyll and Bute Council. Any enforcement actions taken against the Council will follow the same enforcement principles.

than those used against other regulated persons.

- *enforcement* includes all action taken by us following discovery of a breach of the law with the ultimate aim of ensuring that someone complies with the law. Therefore, for the purposes of this policy, the provision of compliance advice is regarded as a form of enforcement, albeit informal.
- formal enforcement action means all enforcement action except for the provision of: compliance advice, or the issue of warnings. Formal enforcement action includes the issue of statutory notices, fixed penalties, applications to a civil court for an enforcement order, reports to the Procurator Fiscal recommending criminal proceedings, reports to the licensing committee or licensing board recommending that a licence is suspended, or Remedial Action Notices. Formal enforcement action also includes the use of non-routine investigatory powers, including the power to seize and detain goods and documents, the power to apply to a sheriff for a warrant to enter premises by force, or the power to prohibit access to unsafe premises or equipment pending an investigation.

### 2 Our aims

2.1 Good regulation plays a key role in protecting society and supporting a sustainable economy.

2.2 Any enforcement action taken by the Council will have regard to the 5 key principles namely that it is **transparent, accountable, consistent, proportionate and targeted only where needed**

- 2.3 The Act applies to regulatory functions that are devolved to the Scottish Government, including environmental health, trading standards; alcohol and taxi licensing. Section 4 requires regulators to contribute to achieving sustainable economic growth. Section 5 implements a Scottish Regulators' Strategic Code of Practice to which all regulators must have regard although the guidance specifies that it does not apply wholly to development management.

### 3 The Principles of Enforcement

- 3.1 Argyll and Bute Council is committed to firm but fair enforcement of health and safety law. The Council's approach is informed by the following principles:

**Proportionality**, which means that enforcement action relates to the risks, to the seriousness of any breach and to any actual or potential harm arising from a breach of the law.

**Targeting**, which means that the regulatory activities of the Council are directed primarily on those whose activities give rise to the most serious risks or where the hazards are least well controlled. Targeting also requires that action is focussed on the regulated person who is responsible for the risk and who are best placed to control it.

**Consistency**, which means taking a similar approach in similar circumstances to achieve similar ends. This is not the same as uniformity and requires the exercise of professional judgement and discretion by inspectors.

**Transparency**, which means helping regulated persons to understand what is expected of them and what they should expect from the Council as an enforcing authority. It also means making clear to regulated persons not only what they have to do, but where this is relevant, what they don't. This means distinguishing between statutory requirements and advice or guidance about what is good practice but not compulsory. Public transparency also requires that the Council shall publish enforcement policies, guidance and successful enforcement actions such as prosecutions.

**Accountability**, which means that the Council, as an enforcing authority, is accountable to the public for its actions. This means having a clear and accessible complaints procedure which is brought to the attention of those with whom inspectors come into contact.

### 4 Purpose and Methods of Enforcement

- 4.1 The purpose of enforcement is to:

- Ensure that regulated persons take action to deal immediately with serious risks; Promote and achieve sustained compliance with minimum legal standards;
- Ensure that regulated persons who breach minimum legal requirements, and directors or managers who fail in their responsibilities, may be held to account, which may include recommending prosecution. The methods of enforcement are:
- Giving information and advice, either verbally or in writing;
- Serving improvement or prohibition notices;

- Making a recommendation of prosecution to the Procurator Fiscal.
- In addition to the methods of enforcement set out above, inspectors have powers under section 20 of the Act to deal with causes of immediate danger in the workplace.

4.2 In doing so we aim to ensure that any enforcement decision seeks to:

- ensure that any regulated persons take action immediately to remove serious risks,
- promote and achieve sustained compliance by regulated persons
- treat all regulated persons fairly, and be helpful to regulated persons who wish to comply,
- support those who comply by targeting those who don't, in particular by taking firm action against those who flout the law or act irresponsibly,
- contribute to achieving sustainable economic growth by ensuring that we carry out our duties and our function in a way that we minimise the burden on regulated persons that is compatible with our regulatory functions, and
- communicate this policy effectively to those people who are affected by it.

4.3 Regulatory functions include advice, guidance, licensing, permissions and consent, inspections, monitoring and enforcement.

## 5 Enforcement Decisions

5.1 Enforcement decisions shall be taken having regard to Council's Enforcement Policy, Crown Office Guidance for non-police reporting agencies and other specific Regulators professional guidance. Regulator-specific standards, guidance or codes of practice should provide more detailed operational policy to reflect regulator's own Circumstances and specific regulatory functions.

5.2 Enforcement decisions shall be made in accordance with the principles set out at section 3 of this policy, and considering the following criteria:

- (i) The seriousness of the breach and in particular its impact on the safety, health and well-being of all those affected by it
- (ii) The impact on people who are especially vulnerable, for example by reason of age, disability or any other impaired ability to protect themselves, and in particular whether such people were specifically targeted by the regulated person
- (iii) The steps which the regulated person took, or the reasonable steps which they failed to take to prevent the offence
- (iv) The history of compliance and in particular whether any previous warnings went unheeded
- (v) Evidence of fraudulent, deliberate, irresponsible, reckless or negligent behaviour, or evidence of aggression or harassment
- (vi) The extent to which the regulated persons accepts their responsibilities and is willing to respond to advice
- (vii) Whether the non-compliance has been rectified
- (viii) The need to prevent further breaches and the confidence that the

relevant person will do so

(ix) The nature of the evidence available

5.3 We will work collaboratively with other regulators to minimise the risk of different regulators acting inconsistently. Where the law allows, we will share information with other regulators to help target resources and minimise duplication.

## **6 Enforcement in premises in which Argyll and Bute Council may have an interest**

6.1 A potential conflict of interest may occur where Argyll and Bute Council is the relevant enforcing authority in relation to premises in which it also has an ownership or management interest. A conflict of interest can either be an actual or a perceived conflict of interest.

6.2 Argyll and Bute Council shall otherwise carry out its enforcement policy and practice in exactly the same way that it does for all other premises and regulated persons.

## **7 Appointment of Inspectors**

The Councils Scheme of Delegations provides the framework to appointment of authorised enforcement officers.

## **8 Appeal Provisions**

8.1 The Council will advise regulated persons of any appeal provisions which may be available to them in the event for formal enforcement action.

8.2 If any regulated person is dissatisfied with any aspect of our service that is not covered by the right of appeal in para 2.3 above, they can use the Council's complaints procedure.. This will consider whether we have not complied with the Councils Enforcement Policy or the Regulators Strategic Code of Practice.

## **9 Review**

This policy will be reviewed a minimum of every 2 years.

This page is intentionally left blank

## Policy and Resources Committee Work Plan 2017-18

<b>March 2017 - This is an outline plan to facilitate forward planning of reports to the P&amp;R Committee.</b>					
<b>16 March 2017</b>	<b>Report Title</b>	<b>Dept/Section</b>	<b>How Often?</b>	<b>Date Due</b>	<b>Comments</b>
	Financial Monitoring Pack Summary – will include links to: <ul style="list-style-type: none"> <li>• Financial Monitoring Pack Summary</li> <li>• Revenue Budget Monitoring</li> <li>• Monitoring of Service Choices Savings</li> <li>• Monitoring of Financial Risks</li> <li>• Capital Plan Monitoring</li> <li>• Treasury Monitoring</li> <li>• Reserves and Balances</li> </ul>	Strategic Finance	Every Meeting	14 February 2017	
	Performance Report - FQ3 2016-17	Customer Services		14 February 2017	
	Community Council Annual By-Election 2016	Customer Services		14 February 2017	
	Scottish Government Funding for Welfare Reform and Discretionary Housing Payments – Report on Spend to date and Future Proposals	Customer Services		14 February 2017	
	Argyll & Bute Employability Team – Update on Financial Position & Service Provision	Development and Infrastructure		14 February 2017	
	Single Investment Plan: Rural Growth Deal	Development and Infrastructure		14 February 2017	
	Update On The Progress Of Discover Space UK (DSUK)	Development and Infrastructure		14 February 2017	
	Lorn Arc Update	Development and Infrastructure		14 February 2017	

## Policy and Resources Committee Work Plan 2017-18

	Surplus CHORD Funds	Recommendation from MAKI 1 February 2017		14 February 2017	
	Better Regulation: Argyll and Bute Council Enforcement Policy	Recommendation from PPSL 22 February 2017		14 February 2017	
<b>Future Items – date to be determined</b>					
	SOA Delivery Plan Review	Community Services			To come to future meeting – most likely June 2016.
	IHR Policies: <ul style="list-style-type: none"> <li>• Recruitment and Selection Policy</li> <li>• Maximising Attendance Policy</li> </ul>	Improvement and HR	As required		<ul style="list-style-type: none"> <li>• To come in 2017/18</li> <li>• To come in 2017/18</li> </ul>
	Update on Operation and Performance of the Tarbert and Lochgilphead Regeneration Fund	Development and Infrastructure			
	Business Cases for Tarbert and Lochgilphead Regeneration Fund	Development and Infrastructure			