

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
22 June 2017

NOTICE OF MEETING

A meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 29 JUNE 2017** at **11:30 AM**, or at the conclusion of the Special Meeting of the Policy and Resources Committee, whichever is the later, 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**
 - (a) Argyll and Bute Council held on 20 April 2017 (Pages 1 - 10)
 - (b) Argyll and Bute Council held on 18 May 2017 (Pages 11 - 30)
- 4. LEADER'S REPORT**

Report by Leader of the Council (to follow)
- 5. YEAR END REPORTS PACK 2016-17**

Reports by Head of Strategic Finance

 - (a) Covering Report and Unaudited Accounts 2016-17 (Pages 31 - 174)
 - (b) Unaudited Summary Accounts 2016-17 (Pages 175 - 178)
 - (c) Revenue Budget Monitoring for the year 2016-17 (Pages 179 - 188)
 - (d) Earmarked Reserves - Year End 2016-17 (Pages 189 - 244)
 - (e) Capital Budget Monitoring Report - 31 March 2016 (Pages 245 - 276)
 - (f) Annual Treasury Report 2016-17 (Pages 277 - 288)

(g) Annual Efficiency Statement 2016-17 (Pages 289 - 294)

(h) Strategic Housing Fund Annual Report 2016-17 (Pages 295 - 304)

6. EDUCATION GOVERNANCE REVIEW

Report by Chief Executive (to follow)

7. IMPLEMENTATION OF THE COMMUNITY EMPOWERMENT (SCOTLAND) ACT 2015 - UPDATE (Pages 305 - 314)

Report by Executive Director – Customer Services

8. POLITICAL MANAGEMENT ARRANGEMENTS (Pages 315 - 320)

Report by Executive Director – Customer Services

E1 9. FORMER HERMITAGE ACADEMY SITE - HELENSBURGH AMATEUR ATHLETIC CLUB (Pages 321 - 324)

Report by Executive Director – Customer Services

E2 10. EMERGENCY FINANCIAL SUPPORT TO ARGYLL AND BUTE CITIZENS ADVICE SERVICE (Pages 325 - 328)

Report by Executive Director – Development and Infrastructure Services

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

The appropriate paragraphs are:-

E1 Paragraph 6 Information relating to the financial or business affairs of any particular person (other than the authority).

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

E2 Paragraph 4 Information relating to any particular applicant for, or recipient or former recipient of, any financial assistance provided by the authority.

COUNCIL

All Members

Contact: Hazel MacInnes Tel: 01546 604269

**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER,
KILMORY, LOCHGILPHEAD
on THURSDAY, 20 APRIL 2017**

Present:

Councillor Len Scoullar (Chair)

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

Attending:

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

The Provost welcomed everyone to the final meeting in the life of the Council and the final meeting for colleagues who had chosen not to stand at the upcoming election. He thanked all Members for their commitment and service to the communities of Argyll and Bute over the past five years.

The Provost presented the Leader of the Council, Councillor Dick Walsh, with a Quaich to recognise his significant contribution and to mark 40 years' service to the communities of Argyll and Bute due to his decision to retire as Councillor. On behalf of the Council he gave the Leader his heartfelt thanks and best wishes for the future. Councillor Walsh thanked his colleagues for the Quaich and their support; and wished them well for the future.

The Provost invited Members to join him for a light afternoon tea in the Members Lounge at the conclusion of the meeting.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Donald Kelly, Robert E MacIntyre and Douglas Philand.

2. NOTICE OF MOTION UNDER STANDING ORDER 14

The Head of Governance and Law advised that in terms of Standing Order 14 the following Notice of Motion by Councillor Aileen Morton, seconded by Councillor Kieron Green had been received for consideration as a matter of urgency at this meeting –

The Council notes:

1. That the Out of Hours GP service at the Vale of Leven has been unavailable a number of times recently with patients directed to Paisley or Glasgow.
2. That any changes to this service have a significant impact on Helensburgh & Lomond residents.
3. That a report on Out of Hours services came to the West Dunbartonshire Integrated Joint Board in March, which included possible service changes that would significantly alter the current, local service.
4. That no report has come to the Argyll and Bute Integrated Joint Board on this matter, and that no contact has been made by the NHS or the West Dunbartonshire Health and Social Care Partnership to raise this matter with the Argyll & Bute IJB.

The Council agrees to ask the Chief Executive to write to the West Dunbartonshire Health & Social Care Partnership and to NHS Greater Glasgow & Clyde highlighting the impact service changes will have on Helensburgh & Lomond residents and asking that no decision is made without full consultation with Argyll & Bute IJB.

The provost ruled that the Motion be considered as a matter of urgency due to the fact that it was the last meeting of the current Council and because the consultation with the Argyll and Bute Integrated Joint Board and Helensburgh and Lomond residents needed to begin as soon as possible considering the significant local impact the changes could have.

The Council agreed to consider the Motion and this is dealt with at item 17 of these Minutes.

3. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

4. MINUTES

(a) Argyll and Bute Council held on 23 February 2017

The Minutes of the meeting of Argyll and Bute Council held on 23 February 2017 were approved as a correct record.

(b) Special Meeting of Argyll and Bute Council held on 7 April 2017

The Minutes of the Special meeting of Argyll and Bute Council held on 7 April 2017 were approved as a correct record.

5. MINUTES OF COMMITTEES

(a) Environment, Development and Infrastructure Committee held on 19 January 2017

The Minutes of the Meeting of the Environment, Development and Infrastructure Committee held on 19 January 2017 were noted.

(b) **Community Services Committee held on 9 March 2017**

The Minutes of the Meeting of the Community Services Committee held on 9 March 2017 were noted.

(c) **Policy and Resources Committee held on 16 March 2017**

The Minutes of the Meeting of the Policy and Resources Committee held on 16 March 2017 were noted.

Arising from item 7 of this Minute (Scottish Government Funding for Welfare Reform and Discretionary Housing Payments – Report on Spend to Date and Future Proposals); the Council agreed the recommendations made by the Committee at this item.

Arising from item 13 of this Minute (Better Regulation: Argyll and Bute Council Enforcement Policy); the Council agreed the recommendation to approve the Council's Enforcement Policy previously approved by the Planning, Protective Services and Licensing Committee and the Policy and Resources Committee.

(d) **Environment, Development and Infrastructure Committee held on 6 April 2017**

The Minutes of the Meeting of the Environment, Development and Infrastructure Committee held on 6 April 2017 were noted.

(e) **Special Community Services Committee held on 6 April 2017**

The Minutes of the Meeting of the Special Community Services Committee held on 6 April 2017 were noted.

6. LEADER'S REPORT

The Council gave consideration to a report which updated them on the activities of the Leader of the Council during the period January to April 2017. This was the final report by the Leader in the life of the Council. The report also included an update in respect of the Leaders role as Policy Lead Councillor for Customer Services.

Decision

The Council –

1. Noted the report.
2. Noted that the full Leader's Report Pack was available in the Leaders Office which included COSLA papers and briefings as referenced in the report.
3. Agreed to formally record their appreciation to the Council Leader for the detailed reports he had brought which had shown a clear indication of just how wide ranging and exhausting his work load had been.

(Reference: Report by Leader of the Council dated 11 April 2017, submitted)

7. UPDATE TO FEES AND CHARGES SCHEDULE 2017-18

A report was given consideration which advised Members that there were some errors which had been noted within the fees and charges schedule for 2017-18 that had been corrected.

Decision

The Council noted the changes to the fees and charges schedule which is in line with the approved 3% increase to fees and charges for 2017-18.

(Reference: Report by Head of Strategic Finance dated 10 April 2017, submitted)

8. AUDIT SCOTLAND IMPROVEMENT PLAN UPDATE

The Council at their meeting on 29 September 2016 gave consideration to a report which provided them with an update on the improvement plan that had been developed to take forward the Accounts Commission Findings on the Controller of Audit Scotland's further Statutory Report on the Council.

A further report was given consideration which gave an update on the revised improvement plan which now contained recommendations which had arisen from the Audit Scotland Review of the 2016/17 budget setting process.

Decision

The Council -

1. Noted the progress that had been made to date against each of the improvement actions detailed within Appendix 1 to the report by the Executive Director.
2. Agreed that further monitoring of outstanding actions would be carried out via the Community Empowerment Working Group.

(Reference: Report by Executive Director – Customer Services dated 15 March 2017, submitted)

9. POLITICAL MANAGEMENT ARRANGEMENTS

(a) Report by Executive Director - Customer Services

A report containing recommendations from the Short Life Working Group on Political Management Arrangements was given consideration by the Council.

The Short Life Working Group had been established by the Council on 21 April 2016 to review the current Political Management Arrangements and make recommendations on future arrangements to be presented to the final meeting of the Council and then given to the new Council for consideration.

Decision

The Council agreed to refer the findings of the Short Life Working Group on Political Management Arrangements to the first meeting of the new Council for consideration.

(Reference: Report by Short Life Working Group on Political Management Arrangements dated April 2017, submitted)

(b) **Minute of Short Life Working Group on Political Management Arrangements held on 17 January 2017**

The Minutes of the Meeting of the Short Life Working Group on Political Management Arrangements held on 17 January 2017 were noted.

(c) **Minute of Short Life Working Group on Political Management Arrangements held on 16 March 2017**

The Minutes of the Meeting of the Short Life Working Group on Political Management Arrangements held on 16 March 2017 were noted.

(d) **Update to Political Composition**

Consideration was given to a report which updated the Council on the Political Composition of the Council following written notification that Councillor James Robb was no longer a member of the Argyll and Bute Council SNP Group.

Decision

The Council noted the terms of the report.

(Reference: Report by Executive Director – Customer Services dated 27 March 2017, submitted)

10. NPDO SCHOOLS AFFORDABILITY REPORT

The Council gave consideration to a report which summarised the progress in relation to the Council's NPDO project to the end of March 2017. The report provided an update on the current financial position of the Project.

Decision

The Council noted the content of the report.

(Reference: Report by Executive Director – Customer Services dated April 2017, submitted)

Councillor Maurice Corry left the meeting during consideration of the following item of business and did not return to the meeting.

11. POLICE SCOTLAND: 2016 STRATEGY AND CONSULTATION

A report which presented a draft response to the Police Scotland Consultation on Policing 2026: Our 10 Year Strategy for Policing in Scotland, was given consideration. The deadline for responses to the consultation was 8 May 2017.

Decision

The Council agreed the draft response to the "Policing 2026: Our 10 Year Strategy for Policing in Scotland" consultation for submission to Police Scotland by 8 May 2017.

(Reference: Report by Executive Director – Customer Services dated April 2017, submitted)

12. REVIEW OF PPMF - INTRODUCING THE NEW PERFORMANCE AND IMPROVEMENT FRAMEWORK

The Council gave consideration to a report which introduced the reviewed Planning and Performance Management Framework as had been requested by the Chief Executive and the Performance Review and Scrutiny Committee. The review had been undertaken to simplify the process, reduce duplication and to move from reporting on what the Council could count, to report on what counted and what supported improved scrutiny. It was proposed that the reviewed Planning and Performance Management Framework (PPMF) would be called Performance and Improvement Framework (PIF).

Decision

The Council approved the new Performance and Improvement Framework (PIF).

(Reference: Report by Executive Director – Customer Services dated April 2017, submitted)

13. ARGYLL AND BUTE COUNCIL EQUALITIES MAINSTREAMING REPORT AND EQUALITY OUTCOMES 2017

The Council gave consideration to a report which presented the Equalities Mainstreaming Report and Equality Outcomes 2013-2017. As part of the Council's Public Sector Equality Duty under the Equality Act 2010 there was a statutory duty to publish the report by April 2017.

Decision

The Council –

1. Noted the Equalities Mainstreaming Report.
2. Noted the progress on the Equality Outcomes 2013 – 2017.
3. Noted the positive trend in closing the gender pay gap.
4. Agreed that the Council's Equality Outcomes remained fit for purpose.
5. Agreed that the report be published as part of the Council's Public Sector Equality Duty.

(Reference: Report by Executive Director – Customer Services dated April 2017, submitted)

14. WORLD WAR ONE COMMEMORATION

A report which provided Members on progress with the planning for the World War One Commemoration events and which invited the Council to release the funding of £25k to the Museum of Islay Life Sub Group was given consideration.

Decision

The Council –

1. Noted the outline programme as attached at Appendix 1 to the submitted report for 2018.
2. Agreed to recommend to the new Council that it establish an informal Officer Working Group chaired by the Executive Director of Development and Infrastructure to identify what the Council will require to provide, by way of assistance in kind, to support the events.
3. Noted the indicative budget attached as Appendix 2 to the submitted report and agreed to release the £25k funding to the Museum of Islay Life to resource that budget requirement.
4. Noted that a liaison group will be established to work with the local community group later in the year and recognised the need for the involvement of the new Provost in respect of the Council role in the commemoration events.
5. Noted with appreciation, the significant work of the World War One Steering Group under the Chairmanship of the Lord Lieutenant, Patrick Stewart, the Armed Forces Champion and the local organising group, chaired by Jenni Minto in developing the proposals.

(Reference: Report by Executive Director – Customer Services dated 23 March 2017, submitted)

15. SUMMARY OF WORK OF ARGYLL ISLANDS TASK FORCE

The Council considered a report outlining the work undertaken by the Short Life Working Group – Argyll Islands Task Force since their establishment in January 2014; and the progress which had been made in relation to island issues during this period.

Decision

The Council –

1. Noted the work undertaken by the Argyll Islands Task Force and the progress made in relation to island issues since 2014.
2. Agreed the request from the Argyll Islands Task Force for a continued focus by the Council on the work commenced by the Argyll Islands Task Force.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 28 March 2017, submitted)

16. CARS CONTRACT ACCEPTANCE - ROTHESAY AND DUNOON

The Council gave consideration to a report requesting approval of the Historic Environment Scotland Offer of Grant in relation to two Conservation Area Regeneration Scheme grant awards of £1,002,348 in respect of Dunoon and £500,000 in respect of Rothesay, which were awarded to the Council on 9 February 2017.

Decision

The Council agreed to the Historic Environment Scotland Offers of Grant and delegated authority to the Executive Director - Customer Services to sign and agree the terms with Historic Environment Scotland in respect of two CARS awards for Dunoon and Rothesay.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 10 March 2017, submitted)

17. NOTICE OF MOTION UNDER STANDING ORDER 14

In terms of Standing Order 14 the following Notice of Motion had been received for consideration as a matter of urgency at this meeting –

The Council notes:

1. That the Out of Hours GP service at the Vale of Leven has been unavailable a number of times recently with patients directed to Paisley or Glasgow.
2. That any changes to this service have a significant impact on Helensburgh & Lomond residents.
3. That a report on Out of Hours services came to the West Dunbartonshire Integrated Joint Board in March, which included possible service changes that would significantly alter the current, local service.
4. That no report has come to the Argyll and Bute Integrated Joint Board on this matter, and that no contact has been made by the NHS or the West Dunbartonshire Health and Social Care Partnership to raise this matter with the Argyll & Bute IJB.

The Council agrees to ask the Chief Executive to write to the West Dunbartonshire Health & Social Care Partnership and to NHS Greater Glasgow & Clyde highlighting the impact service changes will have on Helensburgh & Lomond residents and asking that no decision is made without full consultation with Argyll & Bute IJB.

Moved: Cllr Aileen Morton

Seconded: Cllr Kieron Green

Decision

The Council unanimously agreed the terms of the Motion.

(Reference: Notice of Motion by Councillor Aileen Morton, seconded by Councillor Kieron Green, tabled)

The Council resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following 4 items of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 6&9; 9; 9 and 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

E1 18. 3G PITCHES AND PROPOSALS FOR REPAIR AND REFURBISHMENT - TENDER RETURN REPORT

A report which detailed the current position in relation to proposals to improve the physical condition of a number of 3G pitches across the Council area was considered. The report sought approval for the Executive Director – Development and Infrastructure Services to progress the works.

Motion

That the Council agree the recommendations as contained within the submitted report.

Moved Councillor Ellen Morton, seconded Councillor Gary Mulvaney

Amendment 1

That the Council agree the recommendations with an amendment to the second bullet point.

Moved Councillor Michael Breslin, seconded Councillor Bruce Marshall.

Amendment 2

That the Council agree the terms of Amendment 1 with a further amendment to the second bullet point.

Moved Councillor George Freeman, seconded Councillor James Robb

Decision

Following a show of hands vote the Motion was carried by 21 votes with Amendment 1 receiving 8 votes and Amendment 2 receiving 1 vote.

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

E2 19. LISMORE SCHOOL HOUSE

The Council considered a recommendation from the Oban, Lorn and the Isles Area Committee held on 8 February 2017 in respect of the proposed lease of Lismore School House.

Decision

The Council agreed the recommendations from the Area Committee as contained at paragraph 3.1 of the submitted report.

(Reference: Recommendation from Oban, Lorn and the Isles Area Committee held on 8 February 2017 and joint report by Executive Director – Customer Services and Acting Executive Director – Community Services dated 11 January 2017, submitted)

E2 20. KERRERA SCHOOL HOUSE

The Council considered a recommendation from the Oban, Lorn and the Isles Area Committee held on 8 February 2017 in respect of the proposed lease of the former Kerrera School.

Decision

The Council agreed the recommendations from the Area Committee as contained at paragraphs 3.1 and 3.2 of the submitted report.

(Reference: Recommendation from Oban, Lorn and the Isles Area Committee held on 8 February 2017 and joint report by Executive Director – Customer Services and Acting Executive Director – Community Services dated 21 December 2016, submitted)

E2 21. PROPERTY DEVELOPMENT & ESTATES - ARGYLL COLLEGE

The Council gave consideration to a recommendation from the Helensburgh and Lomond Area Committee held on 11 April 2017 in respect of the proposed lease of the Kirkmichael Centre, Buchanan Road, Helensburgh.

Decision

The Council agreed the recommendations by the Area Committee as contained at paragraph 2.1 of the submitted report.

(Reference: Recommendation from Helensburgh and Lomond Area Committee held on 11 April 2017 and report by Executive Director – Customer Services dated 3 April 2017, submitted)

Councillors Michael Breslin and George Freeman left the meeting at this point.

22. VALEDICTORY ADDRESS

Councillor Neil Macintyre thanked his colleagues for their support during his term as Councillor and offered them his best wishes for the future.

The Provost, as it was the last meeting in the life of the Council gave his valedictory address. He highlighted some of the positive work the Council had achieved over the past 5 years. He thanked all Members of the Council for their work over the Council term and wished them well for the future.

The Depute Provost expressed to the Provost the gratitude of his colleagues for the way he had undertaken his duties.

**MINUTES of MEETING of ARGYLL AND BUTE COUNCIL held in the COUNCIL CHAMBER,
KILMORY, LOCHGILPHEAD
on THURSDAY, 18 MAY 2017**

Present:

Councillor Len Scoullar (Chair)

Councillor Jim Anderson	Councillor Roderick McCuish
Councillor John Armour	Councillor Jamie McGrigor
Councillor Gordon Blair	Councillor Julie McKenzie
Councillor Rory Colville	Councillor Yvonne McNeilly
Councillor Robin Currie	Councillor Jean Moffat
Councillor Mary-Jean Devon	Councillor Barbara Morgan
Councillor Lorna Douglas	Councillor Aileen Morton
Councillor Jim Findlay	Councillor Ellen Morton
Councillor George Freeman	Councillor Gary Mulvaney
Councillor Audrey Forrest	Councillor Iain Paterson
Councillor Bobby Good	Councillor Douglas Philand
Councillor Kieron Green	Councillor Alastair Redman
Councillor Graham Archibald Hardie	Councillor Alan Reid
Councillor Anne Horn	Councillor Elaine Robertson
Councillor Donald Kelly	Councillor Sandy Taylor
Councillor David Kinniburgh	Councillor Richard Trail
Councillor Jim Lynch	Councillor Andrew Vennard
Councillor Donald MacMillan	

Attending:

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

The Chief Executive, as Returning Officer, welcomed everyone to the first meeting of the new Council.

1. MEMBERS OF THE COUNCIL: REPORT BY RETURNING OFFICER

Consideration was given to a report from the Returning Officer detailing the persons who had been elected as Councillors for each of the 11 wards into which the Argyll and Bute Local Government Area is divided.

Decision

The Council noted the content of the report by the Returning Officer.

(Reference: Report by Returning Officer dated 4 May 2017, submitted)

2. ELECT PROVOST OF THE COUNCIL

The Chief Executive, as Returning Officer, invited nominations for election to the position of Provost of the Council.

Motion

Councillor Ellen Morton nominated Councillor Len Scoullar for the position of Provost and this was seconded by Councillor David Kinniburgh.

Amendment

Councillor Anne Horn nominated Councillor Douglas Philand for the position of Provost and this was seconded by Councillor Julie MacKenzie.

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

Motion	Amendment	No Vote
Councillor Jim Anderson	Councillor John Armour	Councillor Jean Moffat
Councillor Rory Colville	Councillor Gordon Blair	
Councillor Robin Currie	Councillor Lorna Douglas	
Councillor Mary Jean Devon	Councillor Jim Findlay	
Councillor Bobby Good	Councillor Audrey Forrest	
Councillor Kieron Green	Councillor George Freeman	
Councillor Graham Hardie	Councillor Anne Horn	
Councillor David Kinniburgh	Councillor Donald Kelly	
Councillor Donnie MacMillan	Councillor Jim Lynch	
Councillor Roddy McCuish	Councillor Julie MacKenzie	
Councillor Jamie McGrigor	Councillor Iain Paterson	
Councillor Yvonne McNeilly	Councillor Douglas Philand	
Councillor Barbara Morgan	Councillor Sandy Taylor	
Councillor Aileen Morton	Councillor Richard Trail	
Councillor Ellen Morton		
Councillor Gary Mulvaney		
Councillor Alistair Redman		
Councillor Alan Reid		
Councillor Elaine Robertson		
Councillor Len Scoullar		
Councillor Andrew Vennard		

Decision

The Motion was carried by 21 votes to 14 and the Council resolved accordingly.

The Returning Officer invited Councillor Len Scoullar to take the Chair as Provost of the Council.

The Provost thanked his colleagues for electing him as Provost of the Council for another term and thanked them for their continued support.

3. APOLOGIES FOR ABSENCE

There were no apologies for absence intimated.

4. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

5. ELECT DEPUTE PROVOST OF THE COUNCIL

The Provost invited nominations for the position of Depute Provost of the Council.

Motion

Councillor David Kinniburgh nominated Councillor Roddy McCuish for the position of Depute Provost and this was seconded by Councillor Ellen Morton.

Amendment

Councillor Julie MacKenzie nominated Councillor John Armour for the position of Depute Provost and this was seconded by Councillor Anne Horn.

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

Motion

Councillor Jim Anderson
Councillor Rory Colville
Councillor Robin Currie
Councillor Mary Jean Devon
Councillor Bobby Good
Councillor Kieron Green
Councillor Graham Hardie
Councillor David Kinniburgh
Councillor Donnie MacMillan
Councillor Roddy McCuish
Councillor Jamie McGrigor
Councillor Yvonne McNeilly
Councillor Jean Moffat
Councillor Barbara Morgan
Councillor Aileen Morton
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Alistair Redman
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Len Scoullar
Councillor Andrew Vennard

Amendment

Councillor John Armour
Councillor Gordon Blair
Councillor Lorna Douglas
Councillor Jim Findlay
Councillor Audrey Forrest
Councillor George Freeman
Councillor Anne Horn
Councillor Donald Kelly
Councillor Jim Lynch
Councillor Julie MacKenzie
Councillor Iain Paterson
Councillor Douglas Philand
Councillor Sandy Taylor
Councillor Richard Trail

Decision

The Motion was carried by 22 votes to 14 and the Council resolved accordingly.

The Provost invited Councillor Roddy McCuish to take his seat as Depute Provost.

6. ELECT THE LEADER OF THE COUNCIL

The Provost invited nominations for the position of Leader of the Council.

Motion

Councillor Kieron Green nominated Councillor Aileen Morton for the position of Leader of the Council and this was seconded by Councillor Robin Currie.

Amendment

Councillor Richard Trail nominated Councillor Sandy Taylor for the position of Leader of the Council and this was 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	No Vote
Councillor Jim Anderson	Councillor John Armour	Councillor Jean Moffat
Councillor Rory Colville	Councillor Gordon Blair	
Councillor Robin Currie	Councillor Lorna Douglas	
Councillor Mary Jean Devon	Councillor Jim Findlay	
Councillor Bobby Good	Councillor Audrey Forrest	
Councillor Kieron Green	Councillor George Freeman	
Councillor Graham Hardie	Councillor Anne Horn	
Councillor David Kinniburgh	Councillor Donald Kelly	
Councillor Donnie MacMillan	Councillor Jim Lynch	
Councillor Roddy McCuish	Councillor Julie MacKenzie	
Councillor Jamie McGrigor	Councillor Iain Paterson	
Councillor Yvonne McNeilly	Councillor Douglas Philand	
Councillor Barbara Morgan	Councillor Sandy Taylor	
Councillor Aileen Morton	Councillor Richard Trail	
Councillor Ellen Morton		
Councillor Gary Mulvaney		
Councillor Alistair Redman		
Councillor Alan Reid		
Councillor Elaine Robertson		
Councillor Len Scoullar		
Councillor Andrew Vennard		

Decision

The Motion was carried by 21 votes to 14 and the Council resolved accordingly.

7. ELECT THE DEPUTE LEADER OF THE COUNCIL

The Provost invited nominations for the position of Depute Leader of the Council.

Motion

Councillor Robin Currie nominated Councillor Gary Mulvaney for the position of Depute Leader of the Council and this was seconded by Councillor Kieron Green.

Amendment

Councillor Sandy Taylor nominated Councillor Richard Trail to the position of Depute Leader of the Council and this was seconded by Councillor Gordon Blair.

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

Motion

Councillor Jim Anderson
Councillor Rory Colville
Councillor Robin Currie
Councillor Mary Jean Devon
Councillor Bobby Good
Councillor Kieron Green
Councillor Graham Hardie
Councillor Donald Kelly
Councillor David Kinniburgh
Councillor Donnie MacMillan
Councillor Roddy McCuish
Councillor Jamie McGrigor
Councillor Yvonne McNeilly
Councillor Barbara Morgan
Councillor Aileen Morton
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Alistair Redman
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Len Scoullar
Councillor Andrew Vennard

Amendment

Councillor John Armour
Councillor Gordon Blair
Councillor Lorna Douglas
Councillor Jim Findlay
Councillor Audrey Forrest
Councillor George Freeman
Councillor Anne Horn
Councillor Jim Lynch
Councillor Julie MacKenzie
Councillor Jean Moffat
Councillor Iain Paterson
Councillor Douglas Philand
Councillor Sandy Taylor
Councillor Richard Trail

Decision

The Motion was carried by 22 votes to 14 and the Council resolved accordingly.

8. COMPOSITION OF THE COUNCIL

A report which provided the Council with information on its composition in terms of the formation of groups of Councillors following the election on 4 May 2017 was given consideration.

The Executive Director – Customer Services circulated an updated document detailing the current Political Composition of the Council.

Decision

The Council noted the terms of the report and the updated political composition of the Council.

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted and updated Political Composition of the Council, tabled)

9. COUNCIL CONSTITUTION

Copies of the Council Constitution had been circulated to all Members with their appointment pack and the Council were invited to adopt the following parts of the Council Constitution Pro Tem –

- a) Standing Orders for Meetings
- b) Scheme of Administration and Delegations
- c) Financial and Security Regulations
- d) Contract Standing Orders
- e) Ethical Framework
- f) Scheme of Approved Duties

Decision

The Council -

1. Adopted the current Standing Orders for meetings for the purpose of regulating the proceedings at Council and Committee meetings.
2. Requested the Executive Director - Customer Services to bring a report before the Council as necessary in relation to any revisions that may be required arising from any subsequent decisions of the Council at this meeting.
3. Adopted pro tem the current:
 - Scheme of Administration and Delegations
 - Financial and Security Regulations
 - Contract Standing Orders
 - Ethical Framework
 - Scheme of Approved Duties

all as outlined in the Council Constitution previously provided to all Elected Members or accessed from the following link: <https://www.argyll-bute.gov.uk/constitution>

4. Further requested the Executive Director of Customer Services to implement the decisions that the Council takes subsequently at this meeting, with particular reference to the Council's Political Management Arrangements considered at item 10 on the agenda.

(Reference: Argyll and Bute Council Constitution, previously circulated and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

10. POLITICAL MANAGEMENT ARRANGEMENTS

The Council gave consideration to a report which outlined the work undertaken by the Short Life Working Group on Political Management Arrangements and highlighted areas which were taken into consideration during discussions. The report also detailed the conclusions reached by the Short Life Working Group for consideration by the Council.

Motion

The Council notes the terms of the report from the Short Life Working on Political Management Arrangements dated 20th April (hereafter referred to as the SLWG report) and:

1. Agrees to adopt the Traditional Committee model as set out at paragraph 4.3.2 of the SLWG report, on the basis of the current Community Services, EDI, Policy and Resources and PPSL committees in place within the council;
2. Accepts the recommendation in respect of Area Committees and Area Business Days, and the associated protocol, as outlined at paragraph 4.4.1 of the SLWG report, with each Area Committee meeting four times per year;
3. Agrees that the functions of the existing Audit and Performance, Review and Scrutiny committees will be combined in an Audit and Scrutiny Committee, with strategic and Area Committees taking responsibility for performance review business, and with the independent chair of the existing Audit Committee being invited to chair the new body for the remainder of his term of office;
4. Maintains the current Planning, Protective Services and Licensing Committee arrangements as noted at paragraph 4.4.3 of the SLWG report;
5. Adopts the protocols for Reports for Noting and Consultations, as set out at paragraphs 4.4.4 and 4.4.5 respectively in the SLWG report;
6. Notes the recommendations in relation to the Argyll and Bute Harbour Board as outlined at paragraph 4.4.6 of the SLWG report and makes appointments as set out in Appendix 2;
7. Notes the recommendations detailed in paragraphs 4.4.7 to 4.4.11 inclusive in the SLWG report;
8. Notes the appointment of Policy Lead Councillors as set out in the table in Appendix 1 to this motion;
9. Appoints the members, Chairs and Vice Chairs of the Audit and Scrutiny; Community Services; Environment, Development and Infrastructure; Policy and Resources; PPSL committees; four Area Committees (Bute and Cowal; Helensburgh and Lomond; Mid Argyll, Kintyre and the Islands; and Oban, Lorn and the Isles); Argyll and Bute Harbour Board; as set out in Appendix 2 to this motion;
10. Agrees the Programme of Meetings for a Traditional Committee Structure and dates from August 2017, as laid out in Appendix 4 to the SLWG report, page 25 of council agenda pack, and to include the following meeting dates:
 - PPSL – Wednesday 21st June 2017
 - Audit Committee – Tuesday 27th June 2017
 - Council – Thursday 29th June 2017
 - Area Committee meetings and initial Development Days:
 - Helensburgh and Lomond – Tuesday 13th June 2017
 - Oban, Lorn and the Isles – Wednesday 14th June 2017
 - Bute and Cowal – Monday 19th June 2017
 - Mid Argyll, Kintyre and the Islands – Monday 26th June 2017
11. Requests the Executive Director of Customer Services to implement these and any other related decisions that the Council takes subsequently at this meeting, including arrangements for a schedule of meetings.

Mover: Cllr Aileen Morton
 Second: Cllr Gary Mulvaney

Appendix 1 – Appointment of Policy Lead Councillors

<u>Name</u>	<u>Policy Lead Role</u>
Councillor Rory Colville	Policy Lead for Corporate Services
Councillor Robin Currie	Policy Lead for Communities, Housing, Islands and Gaelic
Councillor Kieron Green	Policy Lead for Health and Social Care/Chair or Vice Chair of Integrated Joint Board
Councillor David Kinniburgh	Policy Lead for Planning and Regulatory Services
Councillor Roddy McCuish	Policy Lead for Roads and Amenity Services
Councillor Yvonne McNeilly	Policy Lead for Education
Councillor Aileen Morton	Policy Lead for Economic Development
Councillor Gary Mulvaney	Policy Lead for Strategic Finance and Capital Regeneration Programme

Appendix 2 – Membership of Committees

<u>Community Services</u>	<u>Environment, Development and Infrastructure</u>	<u>Policy and Resources</u>	<u>Planning, Protective Services and Licensing (PPSL)</u>
Yvonne McNeilly (Chair)	Roddy McCuish (Chair)	Aileen Morton (Chair)	David Kinniburgh (Chair)
Kieron Green (Vice Chair)	Ellen Morton (Vice Chair)	Gary Mulvaney (Vice Chair)	Rory Colville (Vice Chair)
Robin Currie	Aileen Morton	Roddy McCuish	Robin Currie
Jim Anderson	Gary Mulvaney	Robin Currie	Donnie MacMillan
Mary Jean Devon	Bobby Good	Elaine Robertson	Graham Hardie
Rory Colville	David Kinniburgh	Rory Colville	Alastair Redman
Elaine Robertson	Alan Reid	Yvonne McNeilly	Roddy McCuish
Graham Hardie	Donnie MacMillan	Kieron Green	Mary Jean Devon
Barbara Morgan	Jamie McGrigor	Ellen Morton	Lorna Douglas
Andrew Vennard	Alastair Redman	Len Scoullar	Sandy Taylor
Len Scoullar	Andrew Vennard	Alan Reid	Richard Trail
Audrey Forrest	Gordon Blair	Sandy Taylor	Audrey Forrest
Julie McKenzie	Jim Lynch	Richard Trail	Gordon Blair
Lorna Douglas	John Armour	Jim Findlay	Jean Moffat
Richard Trail	Donald Kelly	Dougie Philand	George Freeman
Anne Horn	Jean Moffat	John Armour	

<u>Audit and Scrutiny</u>	<u>Argyll and Bute Harbour Board</u>		
Alan Reid	Roddy McCuish (Chair)		
Andrew Vennard	Ellen Morton (V Chair)		
Jamie McGrigor	Alastair Redman		
Jim Findlay	Andrew Vennard		
Julie McKenzie	Alan Reid		
George Freeman	Jim Lynch		
Sandy Taylor *	Richard Trail		
	Gordon Blair		
<u>Area Committee</u>	<u>Chair</u>	<u>Vice Chair</u>	
Bute and Cowal	Bobby Good	Jim Anderson	
Helensburgh and Lomond	Ellen Morton	Barbara Morgan	
Mid Argyll, Kintyre and the Islands	Robin Currie	Donnie MacMillan	
Oban, Lorn and the Isles	Elaine Robertson	Jamie McGrigor	

*When the current Vice Chair's term of office expires, Councillor Sandy Taylor will assume this position.

Amendment 1

To accept the Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, subject to amending the last sentence of point two to read "... with each Area Committee meeting six times per year;".

Moved Councillor Douglas Philand, seconded Councillor George Freeman.

Amendment 2

To accept the terms of the Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney subject to substituting Councillor Richard Trail with Councillor John Armour on the Argyll and Bute Harbour Board.

Moved Councillor Sandy Taylor, seconded Councillor Julie McKenzie

Following governance advice, Councillor Sandy Taylor, with the agreement of his seconder Councillor Julie MacKenzie, subsequently withdrew Amendment 2.

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

Motion

Councillor Jim Anderson
Councillor Rory Colville
Councillor Robin Currie
Councillor Mary Jean Devon
Councillor Bobby Good
Councillor Kieron Green
Councillor Graham Hardie
Councillor David Kinniburgh
Councillor Donnie MacMillan
Councillor Roddy McCuish
Councillor Jamie McGrigor
Councillor Yvonne McNeilly
Councillor Barbara Morgan
Councillor Aileen Morton
Councillor Ellen Morton
Councillor Gary Mulvaney
Councillor Alistair Redman
Councillor Alan Reid
Councillor Elaine Robertson
Councillor Len Scoullar
Councillor Andrew Vennard

Amendment

Councillor John Armour
Councillor Gordon Blair
Councillor Lorna Douglas
Councillor Jim Findlay
Councillor Audrey Forrest
Councillor George Freeman
Councillor Anne Horn
Councillor Donald Kelly
Councillor Jim Lynch
Councillor Julie MacKenzie
Councillor Jean Moffat
Councillor Iain Paterson
Councillor Douglas Philand
Councillor Sandy Taylor
Councillor Richard Trail

Decision

The Motion was carried by 21 votes to 15 and the Council resolved accordingly

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted; and Motion by councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

11. COUNCILLORS' REMUNERATION SCHEME

The Council gave consideration to Councillors remuneration in respect of the Provost, Leader and other Senior Councillor positions.

There was tabled a Motion containing proposals in respect of Councillors remuneration.

Decision

The Council -

1. Noted the remuneration levels for the Provost and Leader as set out in the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended, as follows:

Provost	£25,392
Leader	£33,857

2. Agreed that the annual remuneration for a Policy Lead Councillor and Area Committee Chair be set at the same level as prior to the election, respectively £23,934 and £19,955 and, in the event that the same member holds more than

one of these positions, that member will receive the higher amount only in respect of the relevant position.

3. Agreed that any future annual percentage increase in Policy Lead or Area Committee Chair remuneration shall be the same as that as determined by regulations for the level of basic allowance.

(Reference: Remuneration document dated May 2017, submitted; and revised Remuneration document, tabled)

12. APPOINTMENT OF PERSONS INTERESTED IN THE PROMOTION OF RELIGIOUS EDUCATION

The Council gave consideration to a report which provided them with information about the appointment of 3 persons interested in the promotion of religious education to any Committee of the Council to which the functions of the Council as education authority are delegated.

Decision

The Council –

1. Confirmed the appointment of William Stewart Shaw as a member of the relevant Committee as nominated by the Church of Scotland.
2. Confirmed the appointment of Margaret Anderson as a member of the relevant Committee as nominated by the Roman Catholic Diocese of Argyll and the Isles.
3. Agreed to continue to seek a nomination to be a member of the relevant Committee from the Scottish Episcopal Church Diocese of Argyll and the Isles.
4. Noted that the appointment of the 3 persons is conditional on the terms and requirements of the Councillors Code applying to those appointments.
5. Agreed that the Director of Customer Services write to the Scottish Government inviting them to undertake a review of the statutory duty placed on the Council to appoint persons interested in the promotion of religious education, recognising the desirability of a wider representation of faith and non-faith groups and communities.

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted)

13. CONSIDER APPOINTMENT OF TEACHER REPRESENTATIVES

The Council gave consideration to a report which advised them of a discretion to appoint up to 2 representatives of teaching staff to any Committee to which the Council delegates any of its functions as education authority. The Council was invited to consider whether they wished to appoint 2 teacher representatives, as non-voting members, to such a Committee.

Decision

The Council agreed to appoint, as non-voting members, 2 teacher representatives and invited the Executive Director – Community Services to make necessary arrangements and report back to any Committee the Council establish, with delegated powers to that Committee to appoint the persons nominated to the Committee.

(Reference: report by Executive Director – Customer Services dated 10 May 2017, submitted)

14. APPOINT MEMBERS OF STATUTORY BOARDS/JOINT COMMITTEES

Consideration was given to a report which set out a list of statutory boards and joint committees on which the Council is represented and to which it has a requirement to make appointments. The Council was invited to consider the appointments it wished to make to such statutory boards and joint committees.

Decision

The Council appointed the Council's representatives to Statutory Bodies and Joint Committees as set out in the table below:

Organisation	Representative/s	Substitute/s
Scotland Excel	Councillor Rory Colville	Councillor Ellen Morton
Dunbartonshire and Argyll and Bute Valuation Joint Board	Councillor Donnie MacMillan Councillor Graham Hardie Councillor Alastair Redman Councillor Iain Paterson Councillor Richard Trail	Councillor Jim Anderson Councillor Barbara Morgan Councillor Jamie McGrigor Councillor Lorna Douglas Councillor Gordon Blair
Highlands and Islands Transport Partnership (HITRANS)	Councillor Roddy McCuish	Councillor John Armour
Strathclyde Concessionary Travel Scheme Joint Committee	Councillor Graham Hardie	Councillor Roddy McCuish
Strathclyde Partnership for Transport and Strathclyde Passenger Transport Authority	Councillor Graham Hardie	One TBC
West of Scotland European Forum	Councillor Aileen Morton	Councillor Iain Paterson
Argyll and Bute Health and Social Care Integrated Joint Board	Councillor Kieron Green (Chair/Vice Chair) Councillor Alastair Redman Councillor Jim Anderson Councillor Iain Paterson	

(Reference: Report by Executive Director – Customer Services dated 11 May 2017, submitted; and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

15. APPOINT MEMBERS TO THE LICENSING BOARD

Consideration was given to a report which invited the Council to appoint members to a Licensing Board as required by the Licensing (Scotland) Act 2005.

Decision

The Council appointed the following members of the Regulatory Cohort to the Argyll and Bute Licensing Board:

Cllr David Kinniburgh (Chair)
Cllr Rory Colville (Vice Chair)
Cllr Robin Currie
Cllr Roddy McCuish
Cllr Sandy Taylor
Cllr Richard Trail
Cllr Gordon Blair
Cllr Jean Moffat
Cllr Audrey Forrest
Cllr Lorna Douglas

(Reference: Report by Clerk to the Licensing Board dated 10 May 2017, submitted; Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

16. CONVENTION OF SCOTTISH LOCAL AUTHORITIES

The Council considered a report inviting them to make 3 appointments to the Convention of Scottish Local Authorities (COSLA) and to make nominations for the President and Vice President of COSLA.

Decision

The Council -

1. Appointed Councillor Aileen Morton, Councillor Alastair Redman and Councillor Sandy Taylor as the Council's representatives on COSLA Convention.
2. Noted that Councillor Aileen Morton will represent the Council on the COSLA Leaders Group.
3. Agreed to take no action in relation to nominations for COSLA's President and Vice President.

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted; and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

17. APPOINTMENTS TO OUTSIDE BODIES

The Council gave consideration to a report which invited them to make appointments to various outside bodies and organisations.

Motion

The Council:

1. Appoints the council's representatives to outside bodies and organisations as set out in the table at Appendix 1.
2. Requests the Area Governance Manager to prepare a report for the first meetings of all Area Committees with details of area-based outside bodies to which the Committee may wish to make appointments.

Mover: Cllr Aileen Morton

Seconder: Cllr Gary Mulvaney

Appendix 1:

<u>Organisation</u>	<u>Representative/s</u>
NHS Highland Board	Cllr Mary Jean Devon
NHS Highland Health and Wellbeing Partnership	Cllr Mary Jean Devon
University of the Highlands and Islands Foundation Committee	Cllr Yvonne McNeilly
SOILLSE National Network for Gaelic Research Cons. Cttee	Cllr Robin Currie
PA23BID Board	Cllr Jim Anderson
Argyll and Bute Local Biodiversity Partnership	Cllr Rory Colville
Argyll, Lomond and the Islands Energy Agency Mgt Board	Cllr Robin Currie, Cllr Jim Findlay
Argyll and Bute Renewables Alliance	Cllr Aileen Morton
Argyll and Bute Agriculture Forum	Cllr Jamie McGrigor, Cllr John Armour
Argyll and the Isles Coast and Countryside Trust	Cllr Jamie McGrigor
Argyll and the Isles Strategic Tourism Partnership	Cllr Aileen Morton
KIMO (Kommuners International Kiljorganisation)	Cllr Jean Moffat
Loch Lomond and the Trossachs National Park Authority Board	Cllr Ellen Morton, Cllr Barbara Morgan
Scottish Liaison Group on Radioactive Waste Management	Cllr Jamie McGrigor
Scottish Councils Committee on Radioactive Substances	Cllr Alastair Redman
West of Scotland Archaeology Service Joint Committee	Cllr Alastair Redman, one sub TBC
Argyll and Bute Economic Forum	Cllrs Aileen Morton, Gary Mulvaney
A83 Taskforce	Cllr Roddy McCuish, Cllr Ellen Morton, Cllr Bobby Good, Cllr Donald Kelly

Argyll and Bute Care and Repair Agency	Cllr Robin Currie, Cllr Elaine Robertson
Fyne Homes Group	Cllr Len Scoullar
Argyll Community Housing Association	Cllr Donnie MacMillan Cllr Roddy McCuish Cllr Iain Paterson
Convention of the Highlands and Islands	Cllr Aileen Morton
Programme Monitoring Committee	Cllr Aileen Morton
Scottish Islands Federation	Cllr Robin Currie, Cllr Anne Horn
Islands Strategic Group	Cllr Aileen Morton
Scottish Government Forum Against Poverty	Cllr Graham Hardie
Association for Public Service Excellence	Cllr Roddy McCuish
Argyll and Bute Leisure and Libraries Trust	Cllr Jim Anderson, Cllr Graham Hardie, Cllr Jim Lynch
Clyde Ferry User Group	Cllr Alan Reid, Cllr Gordon Blair, Cllr Len Scoullar
Argyll Ferry User Group	Cllr Robin Currie, Cllr Mary Jean Devon, Cllr Elaine Robertson, Cllr Anne Horn
Raasay, Skye, Small Isles, Ardnamurchan and Mull Ferry User Group	Cllr Mary Jean Devon
West of Scotland Road Safety Forum	Cllr David Kinniburgh, Cllr Rory Colville (sub)
Northern Roads Collaboration	Cllr Ellen Morton, Cllr Roddy McCuish
Clyde Marine Planning Partnership	Cllr David Kinniburgh
Argyll and Bute Culture and Heritage Assembly (CHARTS)	Cllr Robin Currie

Amendment

To accept the terms of the Motion subject to appointing Councillor Douglas Philand to the NHS Highland Board instead of Councillor Mary Jean Devon; and subject to appointing Councillor George Freeman to the Loch Lomond and the Trossachs National Park Authority Board instead of Councillor Ellen Morton.

Moved Councillor Donald Kelly, seconded Councillor Anne Horn.

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

Motion	Amendment	No Vote
Councillor Jim Anderson	Councillor John Armour	Councillor Jean Moffat
Councillor Rory Colville	Councillor Gordon Blair	
Councillor Robin Currie	Councillor Lorna Douglas	
Councillor Mary Jean Devon	Councillor Jim Findlay	
Councillor Bobby Good	Councillor Audrey Forrest	
Councillor Kieron Green	Councillor George Freeman	
Councillor Graham Hardie	Councillor Anne Horn	
Councillor David Kinniburgh	Councillor Donald Kelly	
Councillor Donnie MacMillan	Councillor Jim Lynch	
Councillor Roddy McCuish	Councillor Julie MacKenzie	
Councillor Jamie McGrigor	Councillor Iain Paterson	
Councillor Yvonne McNeilly	Councillor Douglas Philand	
Councillor Barbara Morgan	Councillor Sandy Taylor	
Councillor Aileen Morton	Councillor Richard Trail	
Councillor Ellen Morton		
Councillor Gary Mulvaney		
Councillor Alistair Redman		
Councillor Alan Reid		
Councillor Elaine Robertson		
Councillor Len Scoullar		
Councillor Andrew Vennard		

Decision

The Motion was carried by 21 votes to 14 and the Council resolved accordingly.

(Reference: Report by Executive Director – Customer Services dated 9 May 2017, submitted; and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

18. EMPLOYEE JOINT CONSULTATIVE COMMITTEE

The Council gave consideration to a report which invited them to reappoint the Employee Joint Consultative Committee and to appoint Members to the Committee.

Decision

The Council agreed –

1. To re-appoint the Employee Joint Consultative Committee.

2. To appoint the following as members of the Employee Joint Consultative Committee:
Councillor Rory Colville
Councillor Robin Currie
Councillor Kieron Green
Councillor David Kinniburgh
Councillor Roddy McCuish
Councillor Yvonne McNeilly
Councillor Aileen Morton
Councillor Gary Mulvaney
Councillor Len Scoullar
Councillor Sandy Taylor

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted; and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

19. LOCAL NEGOTIATING COMMITTEE FOR TEACHERS

The Council gave consideration to a report which invited them to reappoint the Local Negotiating Committee for Teachers and to appoint Members to the Committee.

Decision

The Council -

1. Reappointed the Local Negotiating Committee for Teachers, comprising three elected members, to negotiate certain conditions of service and other local matters related to the organisation of the Education Service.
2. Appointed the following elected members to the Committee:

Councillor Yvonne McNeilly
Councillor Rory Colville
Councillor Kieron Green

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted; and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

20. COMMON GOOD FUNDS

Consideration was given to a report which provided the Council with information relating to the administration of Common Good Funds and which invited them to appoint members to serve as trustees on the funds relating to Campbeltown, Dunoon, Rothesay, Lochgilphead and Oban.

Decision

The Council agreed –

1. To appoint a panel of members to be the Common Good Fund Trustees and to make all decisions in regard to financial matters relating to those Common Good

Funds, including advice and investments from the Head of Strategic Finance or the relevant independent financial adviser to the funds, and the determination of applications for financial assistance.

2. That in respect of the Campbeltown, Dunoon, Rothesay and Lochgilphead Common Good Funds, the members for the South Kintyre, Dunoon, Isle of Bute and Mid Argyll wards be the panel.
3. In the case of the Oban Common Good Fund, to appoint the following members, being two members each from the Oban North and Lorn and Oban South and the Isles wards:

Councillors Elaine Robertson, Kieron Green, Jim Lynch, Jamie McGrigor.

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted and Motion by Councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

21. LOCAL LICENSING FORUM

Consideration was given to a report which provided information relating to the legal status and role of the Local Licensing Forum of Argyll and Bute Licensing Board.

Decision

The Council agreed -

1. That the Local Licensing Forum for the Argyll and Bute Council Licensing Board should comprise at least 5 and no more than 21 members.
2. That the following persons or their nominated representatives be appointed as members of the Local Licensing Forum:–
 - Chief Constable of Strathclyde Police;
 - Licensing Standards Officer;
 - Representative from the Council's Social Work/Substance Misuse Service;
 - Representative from the Council's Education Service;
 - Representative from the Health Service;
 - Representative for young persons, e.g. via Young Scot, local Youth projects
 - Alcohol and Bute Alcohol and Drugs Partnership
3. That in addition to the nominees listed above, the membership of the Local Licensing Forum may also be extended to include representatives from:
 - Community Councils
 - Relevant statutory agencies e.g. Scottish Children's Reporter Administration (Children's Hearing organisation)
 - Trade representatives; including off sales premises, hotels
 - 'Pub Watch' groups
 - Local residents
 - Other relevant agencies and groups

4. The appointment of the existing membership of the Local Licensing Forum problem and that a review and refresh of membership be undertaken by the end of the calendar year.
5. That the Local Licensing Forum members attend the national training sessions, the cost of which is met by the Council.
6. That members of the public who are selected to serve on the Forum are paid travel and subsistence rates in line with the rates paid to members of the public who sit on similar Council operated Committees.

(Reference: Report by Executive Director – Customer Services dated 10 May 2017, submitted)

22. REVIEW OF SCHEME FOR THE ESTABLISHMENT OF COMMUNITY COUNCILS

The Council gave consideration to a report which sought a decision with regard to the timing of the next review of the Scheme for the Establishment of Community Councils in Argyll and Bute.

Decision

The Council agreed –

1. To continue the existing Scheme for a period of six months, by which time the position as to National Community Council Elections may become clearer.
2. That the new Scheme should contain provisions to apply sanctions to any community council or community councillor found to be in breach of the Code of Conduct as per the recommendation by the Minister for Local Government and Housing (Appendix 1 to the report for agenda item 22 in the council pack).

(Reference: Report by Executive Director – Customer Services dated 5 April 2017, submitted; and Motion by councillor Aileen Morton, seconded by Councillor Gary Mulvaney, tabled)

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL**COUNCIL****STRATEGIC FINANCE****29 JUNE 2017**

2016-17 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the Unaudited Annual Accounts for 2016-17 and a summary of the significant movements from 2015-16. It also gives information on the revenue outturn for 2016-17 and asks Members to approve the unaudited financial statements in respect of 2016-17 for issue. There is a more comprehensive report on the revenue outturn elsewhere on this agenda.
- 1.2 The Comprehensive Income and Expenditure statement shows a deficit on the provision of services of £4.998m, a surplus on the revaluation of Long Term Assets of £1.290m and an actuarial loss on the pension fund assets/liability of £48.407m giving an accounting deficit of £52.115m.
- 1.3 The Balance Sheet shows that the net worth of the Council has decreased to £151.204m compared to a net worth at 31 March 2016 of £203.319m. The main reason for this decrease relates to the increase in the pension liability as a result of a decrease in the net discount rate over the period. A decrease in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future.
- 1.4 The balance of unusable reserves has decreased by £53.449m from £146.204m as at 31 March 2016 to £92.755m as at 31 March 2017. The main reasons for this decrease relates to the increase in the pension fund reserve which matches the pensions liability.
- 1.5 The balance of usable reserves has increased by £1.334m from £57.115m as at 31 March 2016 to £58.449m as at 31 March 2017. This is mainly as a result of the increase to the General Fund Balance of £1.072m in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.
- 1.6 The balance on the General Fund has increased by £1.072m from £52.417m as at 31 March 2016 to £53.489m as at 31 March 2017. There are substantial sums earmarked within the General Fund amounting to £41.509m in addition to £4m that has been set aside for budget smoothing in 2019-20. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2017-18 and this amounts to £4.671m. The unallocated General Fund balance after the 2% contingency amounts to £3.309m.
- 1.7 The performance against budget for financial year 2016-17 was an overall underspend of £2.883m (1.16%) after adjusting to reflect the new amounts

earmarked by departments at the year end. There was a net underspend of £1.083m in relation to departmental expenditure and a net underspend of £1.066m in relation to other central/non-departmental costs. The remainder of the underspend of £0.779m is in relation to funding and the over-recovery of Council Tax income. The year-end underspend was largely expected and planned for during the year.

- 1.8 Members are asked to approve the Unaudited Annual Accounts for the year ended 31 March 2017 for issue.

ARGYLL AND BUTE COUNCIL**COUNCIL****STRATEGIC FINANCE****29 JUNE 2017**

2016-17 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the Unaudited Annual Accounts for 2016-17 and a summary of the significant movements from 2015-16. It also gives information on the revenue outturn for 2016-17 and asks Members to approve the unaudited financial statements in respect of 2016-17 for issue. There is a more comprehensive report on the revenue outturn elsewhere on this agenda.

3. RECOMMENDATIONS

- 3.1 Members approve the Unaudited Annual Accounts for the year ended 31 March 2017 for issue.

4. DETAIL**4.1 Introduction**

- 4.1.1 The Annual Accounts set out the financial statements of the Council and its group for the year ended 31 March 2017. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2016-17 Accounts have been prepared in accordance with this Code.
- 4.1.2 There is a statutory requirement to prepare a set of Accounts and submit them to the Council and the Controller of Audit. The date set by the Scottish Government for the submission of the Unaudited Annual Accounts is 30 June each year.
- 4.1.3 It should be noted that the Accounts have still to be audited. The Audit Committee at its meeting in September will be advised by the external auditor of any material issues coming to light during the audit and any changes to the Accounts. The Audited Accounts, Audit Certificate and Auditors final report will be submitted to the November meeting of the Council. Figures are therefore subject to change.
- 4.1.4 Since 2010-11, Local Authorities have been required to prepare financial statements following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a Management Commentary in the Accounts. The contents of the Annual Accounts are noted below:

- Management Commentary
- Statement of Responsibilities for Annual Accounts
- Annual Governance Statement
- Remuneration Report
- Expenditure and Funding Analysis
- Statement of Comprehensive Income and Expenditure
- Balance Sheet
- Statement of Movement in Reserves
- Cash Flow Statement
- Notes to the Financial Statements
- Council Tax and Non-Domestic Rate Income Accounts
- Group Accounts

4.1.5 There are no significant changes in accounting policies in 2016-17.

4.1.6 The Council also produces a set of summary accounts for 2016-17 and these are included as a separate item on the agenda.

4.2 Management Commentary

4.2.1 The Management Commentary outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced in making Argyll and Bute a place where people want to live, learn, work and do business.

4.2.2 The management commentary has been updated to reflect 2016-17 performance and also includes detail on the plans for the future which includes the development of the medium to longer term financial strategy and the work being taken forward by the Transformation Board. The commentary includes the following:

- Objectives and Strategy of the Council
- Performance against our Priorities
- Finance Performance 2016-17
- Key Financial Indicators
- Plans for the Future.

4.3 Statement of Responsibilities for Annual Accounts

4.3.1 The Statement of Responsibilities for the Annual Accounts outlines the Council's responsibilities and also the responsibilities of the Head of Strategic Finance.

4.4 Annual Governance Statement

4.4.1 The Governance Statement states its view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council during 2016-17 and that there are no significant weaknesses.

4.5 Remuneration Report

- 4.5.1 The Remuneration Report gives details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.

4.6 Expenditure and Funding Analysis

- 4.6.1 The expenditure and funding analysis is a new statement this year. It shows how the Council funding is spent across services. It also compares to the expenditure shown in statement of comprehensive income and expenditure and details the differences between the two. The differences are as a result of accounting statutory adjustments that are required within the statement of comprehensive income and expenditure, for example, depreciation, pension adjustments etc.

4.7 Statement of Comprehensive Income and Expenditure

- 4.7.1 The statement of comprehensive income and expenditure shows the accounting cost of providing services rather than the amount to be funded from taxation. The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2016-17 (The Code). These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2017.
- 4.7.2 The Council ended the year with a deficit of £52.115m for 2016-17, this is the accounting deficit based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a deficit on the provision of services of £4.998m, reduced by a surplus on the revaluation of Long Term Assets of £1.290m and increased by an actuarial loss on the pension fund assets/liability of £48.407m.
- 4.7.3 The deficit on the provision of services of £4.998m compares to a deficit of £19.425m for 2015-16. The main factors contributing to this change is a decrease in the Net Cost of Services of £23.484m (8.9%), a decrease in financing and investment income and expenditure of £3.337m, offset by a decrease in the overall funding of £12.485m.
- 4.7.4 The table below, sets out a reconciliation of the Deficit/(Surplus) on the provision of services of £4.998m as noted in the Statement of Comprehensive Income and Expenditure to the revenue budgetary outturn of £2.883m (underspend).

	£000	£000
Deficit on Provision of Services		4,998
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	(23,261)	
Impairments of Asset charged to services	(1,993)	
Capital Funding	11,375	
Pension Adjustment	(6,929)	
Statutory Repayment of Debt	13,958	
Transfers to/from Other Statutory Reserves	271	
Other Adjustments	509	(6,070)
Movement In General Fund Balance		(1,072)
Adjust for earmarkings:		
Released sums earmarked to service budgets 2016-17	(8,614)	
Supplementary estimates agreed during 2016-17	(110)	
2016-17 budget rounding surplus paid back to General Fund	6	
Contributions to earmarked reserves 2016-17	6,907	(1,811)
Revenue Budget Outturn - Surplus		(2,883)

4.8 Balance Sheet

- 4.8.1 The Balance Sheet shows that the net worth of the Council has decreased to £151.204m compared to a net worth at 31 March 2016 of £203.319m. The main reason for this decrease relates to the increase in the pension liability as a result of a decrease in the net discount rate over the period. A decrease in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future.
- 4.8.2 The value of long term assets has increased from £506.105m at 31 March 2016 to £509.190m at 31 March 2017, an increase of £3.085m (0.6%). The main reason for the increase is due to the revaluation of investment properties.
- 4.8.3 Total Current Assets has increased from £64.001m as at 31 March 2016 to £77.590m at 31 March 2017. The main reason for this increase relates to the increase in short term investments at the end of the year.

- 4.8.4 Total current liabilities have decreased from £54.828m as at 31 March 2016 to £48.806m as at 31 March 2017. The main reason for this reduction is due to the repayment of external debt which had a life of less than one year.
- 4.8.5 Overall, long term liabilities have increased from £311.959m at 31 March 2016 to £386.770m at 31 March 2017. The increase of £74.811 is primarily due to the increase in the IAS19 valuation of the pension scheme liability from £94.441m to £149.777m (£55.336m) and an increase in long term borrowing of £16.418m.

4.9 Statement of Movement in Reserves

- 4.9.1 This Statement shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).
- 4.9.2 The total Council reserves have decreased from £203.319m at 31 March 2016 to £151.204m at 31 March 2017, a decrease of £52.115m. This reflects the Total Comprehensive Income and Expenditure of the Council shown in the Statement of Comprehensive Income and Expenditure.
- 4.9.3 The balance of unusable reserves has decreased by £53.449m from £146.204m as at 31 March 2016 to £92.755m as at 31 March 2017. The main reasons for this decrease relates to the increase in the pension fund reserve which matches the pensions liability.
- 4.9.4 The balance of usable reserves has increased by £1.334m from £57.115m as at 31 March 2016 to £58.449m as at 31 March 2017. This is mainly as a result of the increase to the General Fund Balance of £1.072m in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.
- 4.9.5 In respect of the General Fund Balance movement, there were £8.614m of earmarked reserves released to services and spent during 2016-17 and a supplementary estimate of £0.110m drawn down to meet the increased cost of funding the Scottish Living Wage across Adult Social Care. The contributions to earmarked reserves amount to £6.907m and there was a small rounding surplus from the 2016-17 budget of £0.006m. The overall underspend on the revenue budget amounted to £2.883m which is transferred to the General Fund balance. All these factors contribute to the increase in the General Fund balance as noted below:

	£000
Balance on General Fund 31 March 2016	52,417
Released sums earmarked to service budgets 2016-17	(8,614)
Supplementary Estimates agreed during 2016-17	(110)
Contributions to earmarked reserves 2016-17	6,907
2016-17 budget rounding surplus paid back to General Fund	6
Overall budget underspend	2,883

Balance on General Fund 31 March 2017	53,489
--	---------------

- 4.9.6 The General Fund balance at 31 March 2016 was £52.417m of this a total of £43.272m was approved by Council to be earmarked for specific purposes. The new earmarked balance as at 31 March 2017 amounts to £41.509m and Note 5 to the Accounts provides further detail of the movement. There is also a separate report on Earmarked Reserves. The Council also agreed, at its meeting in February 2017 that £4m would be set aside to be used towards budget smoothing within the year 2019-20.
- 4.9.7 The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2017-18. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. The unallocated General Fund balance after the 2% contingency amounts to £3.309m as noted below:

	£000
Balance on General Fund 31 March 2017	53,489
Earmarked Balances at 31 March 2017 (as per Earmarked Reserves report)	(41,509)
Contingency Balance increased 2.0% of net expenditure	(4,671)
Budget Smoothing 2019-20	(4,000)
Unallocated balance as at 31 March 2017	3,309

4.10 Cash Flow Statement

- 4.10.1 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. This is analysed into Operating, Investing and Financing Activities. The Cash and Cash Equivalents balance reduced by £0.051m to £7.889m. The operating activities generated cash of £10.654m this increase was partly offset by the purchase of assets under the investment activities which saw an out flow of £18.915m. The financing activities were an inflow of £8.210m which reflect the increased borrowing taken by the Council.

4.11 Notes to the Financial Statements

- 4.11.1 The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.

4.12 Council Tax Income Account

- 4.12.1 The Council Tax Income Account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.
- 4.12.2 Council tax rates have been frozen at 2007-08 levels with the Band D rate being £1,178 for 2016-17.

- 4.12.3 The income transferred to the General Fund for Council tax in 2016-17 was £44.051m. This compared to £43.373m in 2015-16.

4.13 Non Domestic Rate Income Account

- 4.13.1 The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate non-Domestic Rate Account.
- 4.13.2 Non Domestic Rate Income amounted to a share of £30.446m for 2016-17 allocated from the national pool. This compares to £27.840 in 2015-16. Our own net income amounted to £30.869m and we made a contribution to the national pool of £0.423m for 2016-17. These figures compared to income of £31.191m and a contribution to the national pool of £3.351m for 2015-16.

4.14 Group Accounts

- 4.14.1 Argyll and Bute Council Group comprise the following entities:

- Argyll and Bute Council
- Dunbartonshire and Argyll and Bute Valuation Joint Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee.

In addition, the council's Common Good Funds have been fully consolidated into the Group Accounts.

- 4.14.2 The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £6.554m. This gives an overall net asset position for the Group of £157.758m, a decrease of £53.449m from the previous year. As with the single entity Balance Sheet, the decrease is mainly related to the increase in the pension liability due to the change in discount rate used.

4.15 Performance Against Budget

- 4.15.1 The performance against budget for financial year 2016-17 was an overall underspend of £2.883m (1.16%) after adjusting to reflect the new amounts earmarked by departments at the year end. There was a net underspend of £1.083m in relation to departmental expenditure and a net underspend of £1.066m in relation to other central/non-departmental costs. The remainder of the underspend of £0.779m is in relation to funding and the over-recovery of Council Tax income. The year-end underspend was largely expected and planned for during the year, for example:
- Additional savings were generated during the year as a consequence of deliberate decisions not to fill posts which became vacant during the year and had been identified for removal as Service Choices savings during 2017/18.
 - NPDO costs were lower than expected due to insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs, part

of the contract management arrangements which are in place, and lower than expected energy prices.

- Loans charges were underspent as borrowing decisions were intentionally deferred resulting in savings on interest payments.
- Council tax income was better than expected partly due to better than expected collection of sums outstanding for previous years by sheriff officers due to enhanced contract management activity.

4.15.2 A summary of the final outturn position is noted within the table below:

Final Outturn Variance (Un-audited)				
2016-17				
Department	Actuals	Budget Adjusted for Earmarkings	Variance (Overspend) Underspend	% age
Chief Executive's Unit	2,041,862	2,042,081	219	0.01%
Community Services	84,088,898	84,104,991	16,093	0.02%
Customer Services	38,280,640	39,167,488	886,848	2.26%
Development and Infrastructure Services	29,010,729	29,145,987	135,258	0.46%
Total Departmental Expenditure	153,422,129	154,460,547	1,038,418	0.67%
Integration Services	56,206,876	56,206,876	0	0.00%
Joint Boards	1,388,546	1,374,371	(14,175)	(1.03%)
Loans Charges	19,578,599	20,623,139	1,044,540	5.07%
Pension Costs	2,977,369	2,977,369	0	0.00%
Other	6,102,437	6,137,621	35,184	0.57%
Total Non-Departmental Expenditure	86,253,827	87,319,376	1,065,549	1.22%
Total Expenditure	239,675,956	241,779,923	2,103,967	0.87%
Total Funding	249,465,684	248,687,036	778,648	0.31%
UNDERSPEND			2,882,615	

5. CONCLUSION

- 5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has increased by £1.072m, which includes the revenue year-end outturn being £2.883m better than budgeted. The net worth per the balance sheet decreased by £52.115m to £151.204m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

- | | | |
|-----|--------------|--|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | None, summarises the financial position for 2016-17. |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |

6.6	Risk -	None.
6.7	Customer Service -	None.

Kirsty Flanagan
Head of Strategic Finance
15 June 2017

Gary Mulvaney - Policy Lead for Strategic Finance and Capital Regeneration Projects

For further information please contact Peter Cupples, Finance Manager Corporate Support 01546-604183.

Appendix 1 – Unaudited Annual Accounts 2016-17.

This page is intentionally left blank

Argyll and Bute Council

Comhairle Earra Ghàidheal agus Bhòid



Unaudited Annual Accounts for the year ending 31 March 2017

LANGUAGE OPTIONS

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

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

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

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

本文件可以翻译为另一语文版本，或制作成另一格式，如有此需要，或需要传译员的协助，请与我们联系。

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

یہ دستاویز اگر آپ کو کسی دیگر زبان یا دیگر شکل میں درکار ہو، یا اگر آپ کو ترجمان کی خدمات چاہئیں تو برائے مہربانی ہم سے رابطہ کیجئے۔

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

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

Tel: 01546 604220

	Page
Management Commentary	4-27
Statement of Responsibilities for the Annual Accounts	28
Annual Governance Statement	29-38
The Remuneration Report	39-49
Expenditure and Funding Analysis	50-51
Statement of Comprehensive Income and Expenditure	52-53
Balance Sheet	54-55
Statement of Movement in Reserves – Movement in 2016-17	56-57
Statement of Movement in Reserves – Comparative Movement in 2015-16	58-59
Cash Flow Statement	60
Notes to the Financial Statements (See Page 2-3)	61-114
Council Tax Income Account	115
Notes to the Council Tax Income Account	116
Non Domestic Rate Income Account	117
Notes to the Non Domestic Rate Income Account	118
Group Accounts - Introduction	119
Group Statement of Comprehensive Income and Expenditure	120
Group Balance Sheet	121-122
Group Statement of Movement in Reserves – Movement in 2016-17	123
Group Statement of Movement in Reserves – Comparative Movement 2015-16	124
Notes to the Group Financial Statements	125-127
Glossary of Terms	128-129

Note No		Page
1	Summary of Significant Accounting Policies	61-74
2	Accounting Standards Issued But Not Yet Adopted	74
3	Critical Judgements in Applying Accounting Policies	74
4	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	75-77
5	Transfers to/from Earmarked Reserves	78
6	Net Cost of Service Analysis based on Service Reporting Code of Practice (SeRCOP)	79
7	Other Operating Income and Expenditure	80
8	Agency Income	80
9	Community Care and Health (Scotland) Act 2002	80
10	Waste Management Public Private Partnership	81
11	Fees Payable to Audit Scotland	81
12	Grant Income	82
13	Related Parties	83-84
14	Property, Plant and Equipment	85-89
15	Heritage Assets	89
16	Intangible Assets	90-91
17	Investment Property	91-92
18	Schools Non-Profit Distributing Organisation (NPDO)	92-93
19	Operating Leases	93
20	Long Term Debtors	94
21	Debtors	94
22	Assets Held for Sale	95
23	Cash and Cash Equivalents	95
24	Creditors	95
25	Financial Instruments Disclosures	96-99
26	Other Liabilities	100

Note No		Page
27	Provisions	100-101
28	Capital Grants Received in Advance	101
29	Defined Benefit Pension Schemes	102-107
30	Unusable Reserves	108-109
31	Usable Reserves	109
32	Contingent Liabilities	110
33	Termination Benefits	110
34	Trust Funds and Other Third Party Funds	110-111
35	Common Good Funds	111
36	Tax Incremental Financing (TIF) Projects	112
37	Cash Flow Statement – Operating Activities	113
38	Cash Flow Statement – Investing Activities	113
39	Cash Flow Statement – Financing Activities	114

1. INTRODUCTION

What is the Management Commentary?

This Management Commentary outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced in making Argyll and Bute a place where people want to live, learn, work and do business.

Argyll and Bute: The Geography

Argyll and Bute is bounded by the urban areas of Helensburgh and Dunoon along the Clyde, Loch Lomond to the East, Mull of Kintyre to the south, Atlantic Islands to the west, and the Sound of Mull and Appin to the north. It covers an area of 691,000 hectares making it the second largest local authority area in Scotland. Our area has the third sparsest population density of the 32 Scottish local authority areas, with an average population density of just 13 persons per square kilometre.



Argyll and Bute has 23 inhabited islands (Census 2011) more than any other local authority in Scotland with around 17% of the population living on Islands (Census 2011). The area is also home to several long sea lochs, which bisect the landscape and along with the islands give Argyll and Bute a very long coastline and a higher level of reliance on ferries for travel. Almost 80% of the population live within one kilometre of the coast (Scottish Coastal Forum, 2002).

Argyll and Bute: Population and Demographics

The total population of Argyll and Bute is 88,166 based on the 2011 census. This compares to a total population for the area of 91,306 in the 2001 census, a reduction of 3.4%. Argyll and Bute was one of only 4 local authority areas to show a decrease in population. Future population projections suggest a reduction in total population of 7.2% from 2010 to 2035 although mid-year estimates suggested a marginal increase between 2016 and 2017.

The population of Argyll and Bute has been declining, this decline is projected to continue and the population is also aging. These changes in population will have significant implications for the delivery of Council services now and into the future. The change in population has particular challenges in relation to the provision of care, the future sustainability of Argyll and Bute's workforce and the economic sustainability of the area.

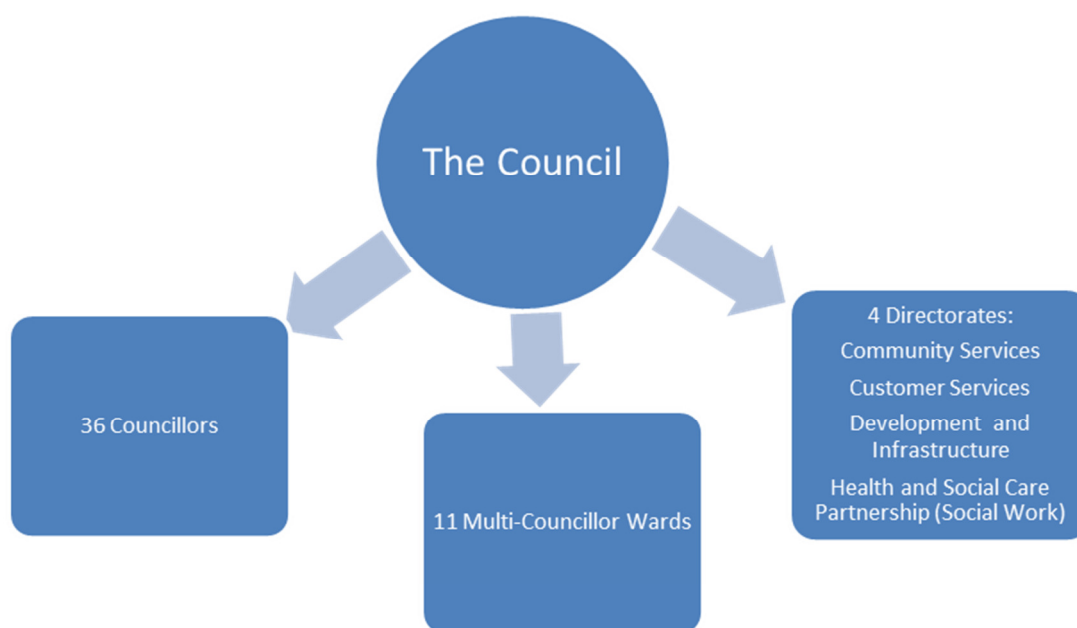
Argyll and Bute: Key Challenges

- Our geography – A highly rural area with many small communities, often separated by water. Access to the area and to key services is a perennial challenge.
- Reducing population – The projected decline in total population is a real threat to the viability of the area with a potential to adversely impact on the economy/wealth creation, workforce availability and efficient service delivery.
- Changing population – With more extremes than most of Scotland we face increasing costs and challenges to deliver services to older people and we need to encourage younger people to move to the area so that our economy can grow.
- Economy – Unlocking the opportunities offered by its significant, sustainable economic assets for the benefit of its communities and the competitiveness and security of the Scottish, UK and EU economies.

- Employment – Developing education, skills and training to maximise opportunities for all and create a workforce to support economic growth.
- Infrastructure – Improving and making better use of infrastructure in order to promote the conditions for economic growth including enhancing the built environment and our town centres.
- Sustainability – Ensuring a sustainable future by protecting the natural environment and mitigating climate change.
- Health – Improving health and wellbeing and reducing health inequalities.
- Deprivation – Inequalities exist in Argyll and Bute so we need to improve how we identify and implement action to address them.
- People on the fringe – Many of our communities are very isolated and risk collapsing as population change takes affect alongside urban communities where deprivation can create real hardships.

Argyll and Bute Council

Argyll and Bute Council was established in 1996 as part of local government reorganisation in Scotland under the Local Government (Scotland) Act 1994.



The Council has thirty six councillors elected every five years to represent the interests of the local community. Argyll and Bute is split into 11 multi-councillor areas or wards. This means that for every ward there are at least 3 councillors that represent the area you live in.

The management of the Council is led by the Chief Executive, Cleland Sneddon. The operational structure is divided into the Chief Executive's Unit, four directorates: Community Services, Customer Services, Development and Infrastructure and Integration Health and Social Care Partnership. From 1 April 2016, Adult Care and Children and Families Services transferred over to the Health and Social Care Partnership and strategic decisions will be the responsibility of the Integration Joint Board.

Chief Executive's Unit	Community Services	Customer Services	Development and Infrastructure	Health and Social Care Partnership
<ul style="list-style-type: none"> Strategic Finance 	<ul style="list-style-type: none"> Education Community and Culture 	<ul style="list-style-type: none"> Governance and Law Customer and Support Services Improvement and Human Resources Facility Services 	<ul style="list-style-type: none"> Roads and Amenity Services Economic Development Planning and Regulatory Services 	<ul style="list-style-type: none"> Adult Care Children and Families Health Services (NHS)

Annual Accounts 2016-17

The Annual Accounts set out the financial statements of the Council and its group for the year ended 31 March 2017. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The 2016-17 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Council also produces a set of summary accounts for 2016-17 and these can be accessed on the Council's website.

2. OBJECTIVES AND STRATEGY OF THE COUNCIL

Community Plan and Single Outcome Agreement 2013-2023

Our geography, coupled with a declining population presents us with unique challenges and together with our community planning partners we have developed a Single Outcome Agreement (SOA), now referred to as the Local Outcome Improvement Plan (LOIP). The LOIP sets out the shared vision, priorities and objectives for Argyll and Bute over the next ten years. Our shared vision is:

Argyll and Bute's Economic success is built on a growing population.

The vision has six key outcomes:

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

The Community Plan and Single Outcome Agreement can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/council-and-government/community-plan-and-single-outcome-agreement>

Corporate Plan 2015-17

The corporate plan sets out what we as a council will contribute to achieving the outcomes within the Single Outcome Agreement. The period 2015-17 has brought, and will bring, challenges for us as we make choices around planning our future. We must accommodate a reducing budget, yet make the right choices to invest in our future. Our shared vision as set out in the SOA, corporate mission and strategic priorities provide us with clear direction and ensure that the Council is in a strong position to plan our future.

Our mission:

To make Argyll and Bute a place people choose to live, learn, work and do business.

Our Corporate Plan can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/performance-reporting-and-best-value>

Service Plans

Service Plans set out the key service delivery aims for the financial year and are aligned to the Corporate Plan and Single Outcome Agreement. The service plans also detail the agreed measures, targets and timescales to achieve the required results.

Our Service Plans can be accessed at the following web-link:

<https://www.argyll-bute.gov.uk/service-plans-overview>

Performance Reporting

The Council has a well-established Planning and Performance Management Framework (PPMF) which underpinned the delivery of services according to strategic priority outcomes within allocated budgets. The PPMF was developed in 2009 and it further increased in complexity over the years. In 2016 the Performance Review and Scrutiny Committee and the Chief Executive requested a review of the PPMF to simplify the process, reduce duplication and to move the focus away from reporting what we can count to report on what counts and which supports improved scrutiny.

A new Performance and Improvement Framework (PIF) was introduced and approved by Council in April 2017. The change in name to Performance and Improvement Framework retains the essential nature of ensuring we are accountable and report strategic performance, but also that our focus is on improvement and supports effective scrutiny.

Early implementation of the first stage of simplifying the planning process has already been put in place with the approval by SMT, Policy Leads and PRS Committee to simplify the service outcomes, reduce their number and create a smaller number of business outcomes. This approach was applied to the service planning process for 2017-20 and approved by Council at the budget meeting in February 2017. The duration of plans will extend beyond the previous single year horizon to 3 year plans to provide consistency and improve the opportunity to deliver on key council outcomes and priorities.

The PIF approach will lead to updated scorecards, which enable elected Members to focus on high level and strategic outcomes rather than low level activity measures. Officers will continue to monitor actions and measures and will continue to review operational performance and ensure that performance delivers on the priority outcomes.

The most important part of the PIF will be to identify outcome indicators that clearly show that the actions we take are making a difference and actively contributing to our strategic aims.

Continuous improvement is core to the organisation ensuring that it continues to meet the needs of service users and to respond to and plan for external change. A core element of the revised PIF is the review of the Council's approach to self-evaluation, and the creation of an Argyll and Bute Improvement Framework. Detailed analysis of existing quality frameworks is underway and a recommendation will be brought to adopt an approach to quality and improvement based on self-evaluation that is relevant to Argyll and Bute, which is proportionate in its approach and will deliver on improvements.

A link to the Council's new Performance Improvement Framework is below:

https://www.argyll-bute.gov.uk/sites/default/files/performance_and_improvement_framework_with_appendices_-_final_030417.pdf

The Council also produces an Annual Report which provides residents with a summary of progress being made. The Annual Report for 2016-17 will be produced later this year; however, the 2015-16 Annual Report is available on the following web-link:

https://www.argyll-bute.gov.uk/sites/default/files/council_annual_report_2015-16_-_final_2.pdf

Budget Strategy

One of the elements of the budget strategy agreed in December 2014 was Service Choices. Service Choices is our approach to plan for the estimated funding reductions by aligning the available budget to Members priorities. During 2015, the Council developed a number of service choices savings options that went out to public consultation prior to being considered by Members as part of setting the budget for 2016-17.

In common with other local authorities across Scotland, the level of reduction to the Council's revenue funding allocation for 2016-17 was higher than anticipated, however, our Council was well placed to deliver a balanced budget due to the options offered through Service Choices, in addition to the management and operational savings which had minimal impact on front line services.

The Council set a one year revenue budget for 2016-17 and a four year capital plan which focused on protecting core services and jobs, delivering what people want and building prosperity within the area. The budget has put us in a position to invest in creating economic growth. The package of measures agreed included an investment, from our financial reserves and capital funding, of some £75 million designed to attract more people to live and work here, securing employment and prosperity for our area.

In terms of looking beyond 2016-17, a three-year financial outlook covering the period 2017-18 to 2019-20 was kept up to date during the financial year and presented to Members at the Policy and Resources Committees in August, October and December 2016 as well as a further update at a Members Seminar held in January 2017. There was early identification of management efficiencies, agreed by Council in October, in advance of the 2017-18 budget setting process to assist in balancing the budget. A Transformation Board was also established focused on delivering change to improve service delivery and help balance the budget in future years.

Budget Monitoring

The Council has robust budget monitoring arrangements in place and a monitoring pack is prepared and presented to the Policy and Resources Committee every two months. The monitoring pack includes the following reports:

- Financial Monitoring Pack Summary - an executive summary.

- Revenue Budget Monitoring - 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.
- Monitoring of Service Choices savings - 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 are reported as being delivered, on track to be delivered, still to be implemented, being developed or delayed.
- Monitoring of Financial Risks - 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.
- Capital Plan Monitoring - 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.
- Treasury Monitoring - 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.
- Reserves and Balances - 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.

Risk Strategy

The council has a risk management strategy in place that is subject to regular review and has been assessed as “embedded and integrated” as per CIPFA Benchmarking. Detailed guidance is in place which provides detail on the risk management framework including risk identification and risk treatment. Strategic and operational risks are reviewed on a regular basis and active mitigations are in place.

There are 15 principal risks facing the Council reflected within the Strategic Risk Register as follows:

- Population and economic decline
- Condition and suitability of overall Council infrastructure and asset base.
- External built environment.
- Welfare reform
- Political leadership
- Finance - Income and Funding
- Finance - expenditure
- Health and Social Care Integration
- Reputation
- Demographic Changes
- Partnership Governance
- Engagement and alignment of service delivery
- Leadership and Management

- Civil contingency and business continuity
- Management of services and resources.

The Strategic Risk Register now includes Risk Appetite and Risk Tolerance thresholds. Two of the risks are currently showing a residual score in excess of agreed tolerance levels. These are Population and Economic Decline and Health and Social Care Integration. These risks are being actively managed and there is a focus and priority emphasis on these areas which includes prioritisation or redirection of resources, prioritisation of mitigations and defined action plans. The Strategic Risk Register is currently being reviewed.

Financial risks are also considered as part of the budget process and medium term outlook and regularly reviewed as part of routine budget monitoring throughout the year. There are some Council wide financial risks in relation to shortfall on savings, employer's on-costs, energy costs and increase to general inflation. There are also a number of risks relevant to departments/services and mitigations are in place.

Treasury Strategy

The Council publishes an annual Treasury Management Strategy to coincide with the approval of the financial plans in February. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies.

3. PERFORMANCE AGAINST OUR PRIORITIES

The Planning and Performance Management Framework sets out the process for presentation of the Council's quarterly performance reports. Performance is reviewed by the Strategic Committees and then the Council and departmental performance reports and scorecards are presented to the Policy, Review and Scrutiny Committee on a quarterly basis.

Below is a small selection of key successes linked to priorities that was presented quarterly during 2016-17. Further information will be contained in the Council's Annual Performance Report due to be published later in the year. The full performance reports for 2016-17 can be accessed at the following web link:

<https://www.argyll-bute.gov.uk/quarterly-performance-2016-2017>

Priority 1: The economy is diverse and thriving

- Q1 - The council's engagement and broad support provided to Scottish Sea Farms, along with Highlands and Islands Enterprise (HIE) to encourage £35million investment in Barcaldine will create up to 25 jobs and include spin off benefits such as the £0.900M order placed with Argyll based, Fusion Marine for fish farm pens.
- Q3 - Two new funds were launched to help local businesses and support population growth; Business Gateway Local Growth Accelerator Programme (BG LGAP) and the Rural Resettlement Fund make available more than £1 million to the Argyll and Bute economy. The BG LGAP, opened during Argyll Enterprise Week, is funded by the Council and the European Regional Development Fund and is worth almost £550k. The aim is to strengthen the local economy targeting small and medium sized businesses looking for growth. The Rural Resettlement Fund of £500k is aimed at families, individuals and businesses looking for new opportunities and settling in the area.
- Q3 - The launch of the new LEADER programme has already generated £0.600m of released funding to a diverse range of 14 projects with match funding providing a minimum of almost £1.2 million invested across Argyll and Bute. Projects to benefit include the Crinan Canal Active Travel

and Tourist Towpath securing £0.123m; CHArts Place Partnership Plan securing £0.160m; and Argyll Food Producers: Developing and Growing Argyll Food Economy securing £0.045m.

Priority 2: We have infrastructure that supports sustainable growth

- Q1 - Three turf cutting events were held in June to celebrate the new schools that are being built in Argyll and Bute. The new £26 million high school in Campbeltown, the £36 million new high school in Oban and the new Kirn primary school.
- Q2 - The end of the £7 million Campbeltown Townscape Heritage Initiative which revitalised the town centre was celebrated with the official opening of fully refurbished Town Hall. The town's second £0.900m conservation regeneration scheme commenced in April 2016 and runs until March 2020. Steady progress is reported with the Small Grant Scheme interest under assessment.
- Q2 - 94% of this year's roads capital reconstruction budget worth £4.61 million has been delivered to date.
- Q4 - Dunoon and Rothesay are to benefit from over £1.5 million of Conservation Area Regeneration Scheme funding from Historic Environment Scotland. Rothesay's seafront will benefit from £500k of that funding for repairs and improvements and £1 million will fund regeneration work in Dunoon.

Priority 3: Education, skills and training maximises opportunities for all

- Q1 - 22 Classroom and Additional Support Needs Assistants received certificates for the SQA Professional Development Award (PDA) in Education Support Assistance.
- Q2 - Number of adults accessing community based adult learning exceeds the target of 250 with 685 users.
- Q2 - Successful delivery of Employee Excellence and Recognition Awards Event.
- Q3 - The Education Service organised and delivered 62 targeted staff development courses which took place across key subject or service areas including Early Years, Gaelic, ICT, languages 1+2, leadership, educational central team and probationer training.

Priority 4: Children and Young People have the best possible start

- Q2 – Percentage of positive post school leaver destinations is at 92.7%, which is slightly higher than the National average.
- Q3 - 8,423 children's swimming lessons were completed this quarter against a target of 4,500.
- Q3 - The Implementation of the Development Milestone Tool 0-3 yrs. was completed on schedule.
- Q4 - 63 young people gained sports and leadership coaching awards this quarter against a target of 60. The young people will also gain qualifications in first aid before they become volunteers in extracurricular and community clubs.

Priority 5: People live active, healthier and independent lives

- Q1 - The number of people accessing Council pools far exceeds the target of 75,000 with the actual figure 93,194 for this quarter.
- Q2 - The number of people accessing Council gyms exceeds the target of 6,667 with the actual figure 7,931 for this quarter.
- Q3 - At the Council meeting in November the business case for the Leisure and Libraries Trust was approved, a project team has now been set up and work started to progress the business case.

Priority 6: People live in safer and stronger communities

- Q2 - iCycle the one-stop shop for cycle training developed by Economic Development's Road Safety Unit <http://www.icycle.org.uk> successfully trained almost 600 P6/7 children, with 38 schools participating over the academic period. 92% of council premises have age related controls in place, an improvement on the previous two years.
- Q4 - The Council has recently won a three year contract (£3.7m) to provide financial and social inclusion on behalf of the Big Lottery Fund (BLF). This will be delivered in partnership between the Council and a range of voluntary sector partners spread across Argyll and Bute. The service is expected to go live during June 2017.

4. FINANCIAL PERFORMANCE 2016-17

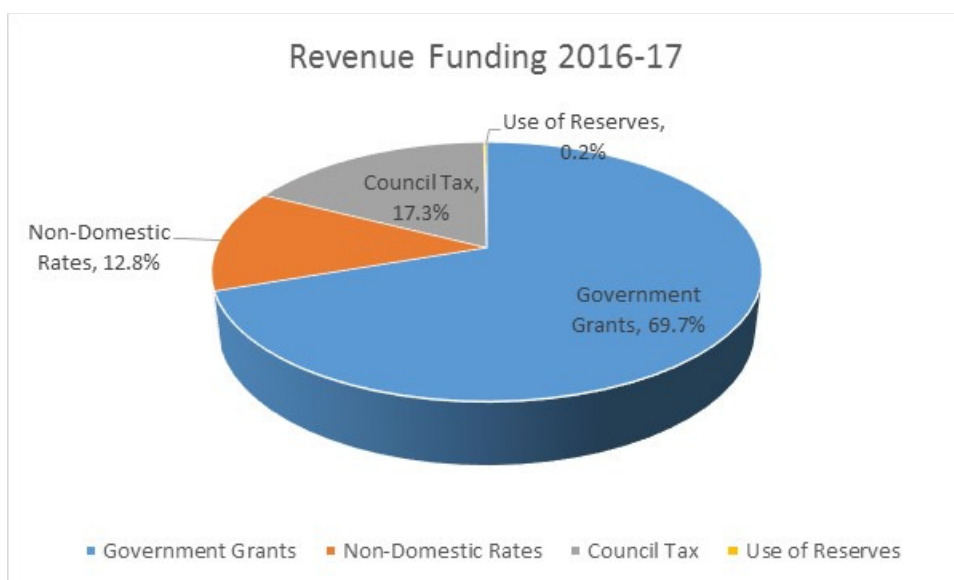
Revenue and Capital Expenditure

The financial resources of the Council are categorised into Revenue and Capital Expenditure. Expenditure on recurring day to day costs associated with providing the Council's services (e.g. salaries, supplies) is revenue, whereas spending on assets (e.g. buildings) that have a useful value to the Council over multiple years is referred to as capital. The financing of revenue and capital expenditure, in general, comes from different sources.

Annual Budget and Setting of Council Tax for 2016-17

The Council set a one year revenue budget in February 2016 which set the budget for 2016-17. The budget for 2016-17 was based on the Council Tax for Band D remaining at £1,178 for the ninth successive year. The budget was balanced with a small rounding surplus. Reserves were used to fund a one-off cost pressure in relation the Broadband Pathfinder Project.

The funding at the beginning of financial year 2016-17 for revenue expenditure was £237.950m. This was funded from government grants (£165.730m), Council Tax (£41.200m), Non-domestic rates (£30.446m) and one-off use of Reserves (£0.580m).

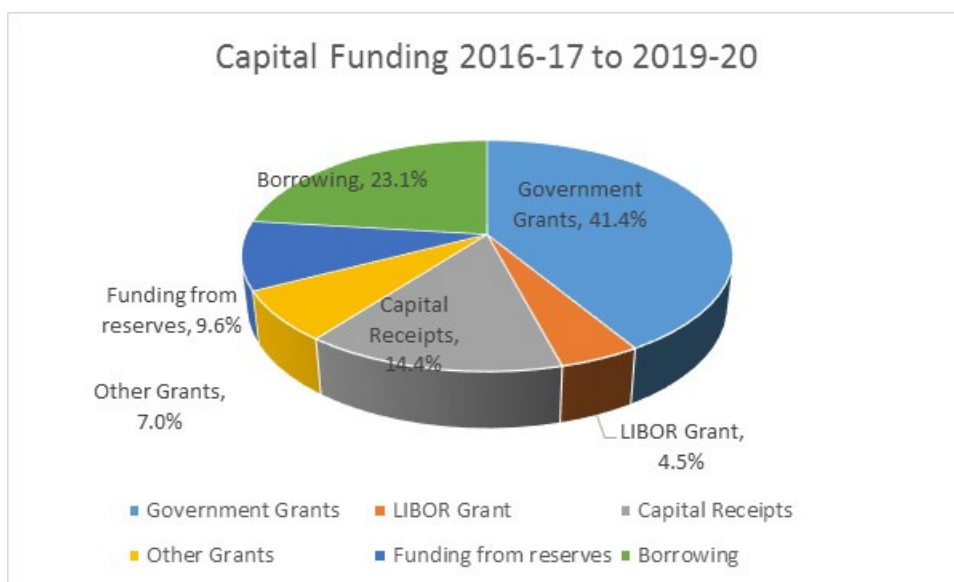


Capital Budget 2016-17 to 2019-20

The Council approved a capital programme amounting to £109m covering the years 2016-17 to 2019-20 in February 2016. The capital programme was based on assumptions on the level of General Capital Grant from the Scottish Government and the likely capital receipts over the period. The major capital projects included in the programme were CHORD, the replacement of Campbeltown Grammar School, Oban High School and Kirn Primary School and the refurbishment of Dunoon Primary Schools, Helensburgh Waterfront, and asset sustainability projects in respect of Roads Reconstruction and Property Refurbishment.

The Council approved a revised capital programme in August 2016 to reflect an increase in the funding available of £5.615m. This increased funding was mainly due to additional grant of £5.000m funding by the Chancellor using LIBOR funds for the swimming pool element of the Helensburgh Waterfront Development in addition to an increase in the General Capital Grant advised for 2016-17 of £0.655m.

The capital budget between 2016-17 and 2019-20 is funded by government grants (£45.7m), borrowing (£25.5m), LIBOR grant (£5.0m), grants from other organisations (£7.7m) contributions from revenue (£10.7m), and receipts from sale of assets (£15.9m).



Revenue: Outturn against Budget

The performance against budget for financial year 2016-17 was an overall underspend of £2.883m (1.16%), after adjusting to reflect the new amounts earmarked by departments at the year end. There was a net underspend of £1.038m in relation to departmental expenditure and a net underspend of £1.066m in relation to other central/non-departmental costs. The remainder of the underspend of £0.779m is in relation to funding and the over-recovery of Council Tax income. The year-end underspend was largely expected and planned for during the year. For example:

- Additional savings were generated during the year as a consequence of deliberate decisions not to fill posts which became vacant during the year and had been identified for removal as Service Choices savings during 2017/18.
- NPDO costs were lower than expected due to insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs, part of the contract management arrangements which are in place, and lower than expected energy prices.
-

Management Commentary

- Loans charges were underspent as borrowing decisions were intentionally deferred resulting in savings on interest payments.
- Council tax income was better than expected partly due to better than expected collection of sums outstanding for previous years by sheriff officers due to enhanced contract management activity.

Final Outturn Variance (Un-audited)				
2016-17				
Department	Actuals	Budget Adjusted for Earmarkings	Variance (Overspend) Underspend	% age
Chief Executive's Unit	2,041,862	2,042,081	219	0.01%
Community Services	84,088,898	84,104,991	16,093	0.02%
Customer Services	38,280,640	39,167,488	886,848	2.26%
Development and Infrastructure Services	29,010,729	29,145,987	135,258	0.46%
Total Departmental Expenditure	153,422,129	154,460,547	1,038,418	0.67%
Integration Services	56,206,876	56,206,876	0	0.00%
Joint Boards	1,388,546	1,374,371	(14,175)	(1.03%)
Loans Charges	19,578,599	20,623,139	1,044,540	5.07%
Pension Costs	2,977,369	2,977,369	0	0.00%
Other	6,102,437	6,137,621	35,184	0.57%
Total Non-Departmental Expenditure	86,253,827	87,319,376	1,065,549	1.22%
Total Expenditure	239,675,956	241,779,923	2,103,967	0.87%
Total Funding	249,465,684	248,687,036	778,648	0.31%
UNDERSPEND			2,882,615	

Capital: Outturn against Budget

Net expenditure for the full financial year is £23.751m compared to a capital budget of £26.079m giving rise to an underspend for the year of £2.328m. The underspend is as a result of net slippage of projects between financial years, with a significant element being in respect of the CHORD projects, the NPDO Schools Solar PV Panel Installations and the Carbon Management Group Heating Conversion Project.

In terms of project performance 85% were completed on time and within budget tolerances.

Health and Social Care Integration

The Argyll and Bute Integration Joint Board (IJB) with responsibility for social work and a range of health services was established and came into effect of 1 April 2016. The Council approved the 2016-17 budget on 11 February 2016 and the amount approved for Social Work services transferring to the Integrated Joint Board for 2016-17 was £55.553m. This was based on the 2015-16 budget plus the estimated cost of the living wage, less the share of half of the £250m Integration Fund distributed by the Scottish Government, via Health. The actual cost of the living wage was £0.110m more than estimated and Council approved to transfer additional funding during the year.

In terms of the outturn position, as can be seen in the table within the revenue outturn against budget section on page 13, that Integration services over/underspend is zero. The Social Work services transferred to the Argyll and Bute Integrated Joint Board were overspent by £0.224m, however, this was mitigated by additional funding transferred from the Integrated Joint Board via NHS Highland at the end of the year.

The difference between the funding of Social Care services as noted in the paragraphs above and the expenditure reporting in the External Funding Analysis is due to Social Work drawing down and spending previous approved earmarked reserves.

Expenditure and Funding Analysis Statement

The expenditure and funding analysis is a new statement this year. It shows how the Council funding is spent across services. It also compares to the expenditure shown in statement of comprehensive income and expenditure and details the differences between the two. The differences are as a result of accounting statutory adjustments that are required within the statement of comprehensive income and expenditure, for example, depreciation, pension adjustments etc.

The service expenditure noted in the column headed "Net Expenditure Chargeable to the General Fund" can also be compared to the service expenditure noted in the Council's revenue budget monitoring. There is a small difference within Community and Culture and Facility Services as investment income in the Expenditure and Funding Analysis Statement is reported below the net cost of services line along with interest payable and payment to the Valuation Joint Board.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost of providing services rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2016-17 (the Code). These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2017.

The comprehensive Income and Expenditure Statement presentation has changed to reflect the management structure of the Council instead of CIPFA's SeRCOP (Service Reporting Code of Practice) structure, which enhances comparability with the presentation of management reports during the year.

Reconciliation of Comprehensive Income and Expenditure Statement to Budgetary Outturn

The table below, sets out a reconciliation of the Deficit/(Surplus) on the provision of services of £4.998m as noted in the Comprehensive Income and Expenditure Statement to the revenue budgetary outturn of £2.883m (underspend).

	£000	£000
Deficit on Provision of Services		4,998
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	(23,261)	
Impairments of Asset charged to services	(1,993)	
Capital Funding	11,375	
Pension Adjustment	(6,929)	
Statutory Repayment of Debt	13,958	
Transfers to/from Other Statutory Reserves	271	
Other Adjustments	509	
		(6,070)
Movement In General Fund Balance		(1,072)
Adjust for earmarkings:		
Released sums earmarked to service budgets 2016-17	(8,614)	
Supplementary estimates agreed during 2016-17	(110)	
2016-17 budget rounding surplus paid back to General Fund	6	
Contributions to earmarked reserves 2016-17	6,907	
		(1,811)
Revenue Budget Outturn - Surplus		(2,883)

Balance Sheet

The balance sheet summarises the Council's assets as at 31 March 2017 and it is accompanied by explanatory notes. The net worth of the Council has decreased to £151.204m compared to a net worth at 31 March 2016 of £203.319m. The main reason for this decrease relates to the increase in the pension liability. This has arisen as a result of a significant decrease in the net discount rate over the period, partially offset by much greater than expected pension asset returns. A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

Long Term Assets: total Long Term Assets includes property, plant and equipment as well as other intangible assets. They have increased by £3.085m from £506.105m as at 31 March 2016 to £509.190m as at 31 March 2017. The main reason for the increase is in relation to the annual revaluation of investment properties.

Current Assets: total Current Assets has increased from £64.001m as at 31 March 2016 to £77.590m at 31 March 2017. The main reason for this increase relates to the increase in short term investments at the end of the year.

Current Liabilities: total current liabilities have decreased from £54.828m as at 31 March 2016 to £48.806m as at 31 March 2017. The main reason for this reduction is due to the repayment of external debt which had a life of less than one year.

Further details on the current provisions are noted later within the commentary.

Long Term Liabilities: total long term liabilities have increased by £74.811m from £311.959m as at 31 March 2016 to £386.770m as at 31 March 2017. The main reason for this increase relates to the pension liability which has increased by £55.336m as well as an increase to longer term borrowing as a result of securing borrowing when rates were at an all-time low. Further detail on the pension liability is noted later within the commentary.

Provisions

The Council has provisions totalling £3.073m on the balance sheet, noted as follows:

- £0.007m Equal Pay Claims. A provision was created at the end of 2005-06 in relation to employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. This provision has reduced to a small amount at the end of 2016-17 with this balance remaining as there may be further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.
- £0.135m cash not yet collected, due to be paid to the Strategic Housing Fund. The Council reduced the discount on council tax from second homes to 10% during 2005-06 and this provision relates to the cash not yet collected.
- £0.276 redundancy costs. Liabilities have arisen in respect of employees who will be made redundant as a result of restructuring and also as part of the Service Choices process. The cost for any employee, whose contract has been terminated on or before 31 March 2017, had been incurred in year. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2017, a provision has been created.
- £1.120m landfill sites. A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. These have been provided for based on the net present value of estimated future costs.
- £0.469m Utilities. The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.041m has been reversed during 2016-17 reducing the provision to £0.469m.
- £0.253m VAT Liability. The provision was created to reflect the potential liability the Council faces from the over claiming of VAT on staff mileage for the period 2012 to 2016 which will require to be repaid to HMRC. In May 2017 we received confirmation of the amount payable and the provision relates to this plus an estimated amount to cover any penalty that HMRC may impose.
- £0.723m in respect of NPDO payments and utilities. This provision has been created for two purposes. Firstly, the Council withholds sums from the Unitary Charge paid to ABC Schools which relate to disputed performance deductions. These sums are then negotiated after the event and a commercial position reached. The second element relates to NPDO utilities and the provision is based on periods, beyond 2012 (assuming a 5 year non-enforceable cut-off) where the Council has not been billed for the utilities, £0.083m in respect of Kinship Care payments. In October 2016, the Government issued guidance which required that Local Authorities increased the rates that they paid to kinship carers to match the rates paid to foster carers. It applied to specific groups of children and the provision relates to a small group of children whose status has still to be verified and may be entitled to the increase funding from October 2016.

- £0.005m in respect of Standby payments. Following discussions with staff there was an agreement on standby/callouts. This provision is in relation to backdated payments possibly due to several senior Social Work managers for covering Social Work standby and callouts. The position has yet to be resolved.

Contingent Liabilities

There is a new contingent liability noted this year. The Limitation (Childhood Abuse)(Scotland) Bill is before the Scottish Parliament and if enacted will remove the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. At this stage the extent of the Council's potential liability is unknown.

Pension Liability

The Council is required to account for its share of the Strathclyde Pension Fund assets and liabilities. The information included in the Accounts is provided by the Pension Fund actuaries following the annual valuation of the Fund. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2017.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received, for example, in ten years' time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money, a discount factor based on corporate bonds is used.

The pension liability can fluctuate significantly year on year. The table below shows the pension liability over the last three years.

	2016-17	2015-16	2014-15
	£'000	£'000	£'000
Pension Liability	(149,777)	(94,441)	(144,738)

Most of the changes each year can be attributed to the change in financial and demographic assumptions. The following table shows the movement in financial assumptions over the last three years:

	2016-17	2015-16	2014-15
	%	%	%
Rate of Inflation	2.4	2.2	2.4
Rate of Increase in Salaries	4.4	4.2	4.3
Rate of Increase in Pensions	2.4	2.2	2.4
Rate for Discounting Scheme Liabilities	2.6	3.5	3.2

Of the four financial assumptions above, the change in discount rate has the most significant financial impact on the pension liability. An increase in the net discount rate will decrease the assessed value of liabilities as a lower value is placed on benefits paid in the future, the opposite is also true, a decrease in the discount rate will increase the liability.

At 31 March 2017 the change in financial assumptions (discount rate decreased to 2.6%) meant that the liability increased by £149.5m, "Other Experience" further increased the liability by £1m, this was offset by a return on assets of £102m. Therefore the above "re-measurements" total £48.5m which are the main reason for the increase in the Net Pension Liability position at 31 March 2017.

Further detail on the pension estimates are within Note 29 on pages 102 to 107.

Borrowing

During 2016-17 the Council's External Borrowing Increased by £12.413m from £158.090m at 31 March 2016 to £170.503m at 31 March 2017. The increase was due to new borrowing from the Public Works Loans Board (PWLB) of £25.0m at historically low rates and an interest free loan of £0.4m from Salix in respect of the Street Lighting LED Project. This was offset by repayments of £8.9m to the PWLB and a reduction in temporary borrowing of £4.0m.

Statement of Movement in Reserves

This Statement shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).

The balance of usable reserves has increased by £1.334m from £57.115m as at 31 March 2016 to £58.449m as at 31 March 2017. This is mainly as a result of the increase to the General Fund Balance of £1.072m in addition to a small increase to the Capital Fund outlined in Note 31.1 on page 109 and the Repair and Renewals Fund outlined in Note 31.2 on page 109.

In respect of the General Fund Balance movement, there were £8.614m of earmarked reserves released to services and spent during 2016-17 and a supplementary estimate of £0.110m drawn down to meet the increased cost of funding the Scottish Living Wage across Adult Social Care. The contributions to earmarked reserves amount to £6.907m and there was a small rounding surplus from the 2016-17 budget of £0.006m. The overall underspend on the revenue budget amounted to £2.883m which is transferred to the General Fund balance. All these factors contribute to the increase in the General Fund balance as summarised within the table below:

	£000
Balance on General Fund 31 March 2016	52,417
Released sums earmarked to service budgets 2016-17	(8,614)
Supplementary Estimates agreed during 2016-17	(110)
Contributions to earmarked reserves 2016-17	6,907
Budgeted contribution to General Fund 2016-17	6
Overall budget underspend as above	2,883
Balance on General Fund 31 March 2017	53,489

The balance of unusable reserves has decreased by £53.449m from £146.204m as at 31 March 2016 to £92.755m as at 31 March 2017. The main reasons for this decrease relates to the decrease in the pension fund reserve which matches the pensions liability which is explained later in the commentary.

General Fund Balance

The General Fund Balance includes balances that the Council has agreed to earmark for specific purposes. Some of these earmarked balances were due to be spent during 2016-17 and some of them will be held over and spent in later years. The Council has agreed a policy where balances will automatically be carried forward in respect of Strategic Housing Fund, CHORD, balances unspent with the Devolved Management of Resources Scheme of Delegation for schools, unspent grants and unspent contributions from external bodies and any unspent budget that relates to existing policy commitments arising from a previous Council decision or where they are required to meet an existing legal commitment. Two new automatic carry forwards have been put forward for approval this year in relation to carrying forward funding provided by the Scottish Government to implement new legislation or government initiatives and to carry forward savings for re-investment in energy efficiency to further reduce the Council's energy costs and carbon emission levels.

Outwith the situations noted above there will be no automatic carry forward of unspent budget and any request for carry forward will be reported to Council for approval and supported by a business case. There are 13 new unspent budget earmarked proposals for consideration:

- Strategic Finance CIPFA student fees, VAT training and equipment - £0.033m
- Soft Play area, CHORD redevelopment of Queen's Hall - £0.075m
- Specialist consultancy required for implementation of Leisure and Libraries Trust - £0.040m
- NDR appeals - £0.150m
- Monitoring of Construction Projects - £0.250m
- Replacement of IR5 system for room/resource bookings - £0.030m
- Asbestos Management - £0.270m
- Introduction of local Windows Services Update Servers - £0.050
- Improvement to Council's training facilities - £0.017m
- Unexpected additional cost construction of new pavilion at Hermitage Park - £0.100m
- Essential Maintenance at Inveraray Arches - £0.100m
- Underwriting development of Rothesay Pavilion - £1.000m
- New schools additional costs - £0.750m.

The General Fund balance at 31 March 2016 was £52.417m; of this a total of £43.272m was approved by Council to be earmarked for specific purposes. The new earmarked balance as at 31 March 2017 amounts to £41.519 and Note 5 on page 78 provides further detail of the movement.

The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2017-18. This contingency is held to provide a working balance to help cushion the impact of uneven cash flows and cushion the impact of unexpected events. The Council also agreed that £4m would be set aside and used towards budget smoothing within the year 2019-20. The unallocated General Fund balance amounts to £3.299m.

Capital Finance

The resources to fund the Council's capital plan has a number of sources, there are grants from the Scottish Government and other bodies, capital receipts from the disposal of assets, contributions from reserves and the revenue budget, borrowing funded by the loans charges budget and in respect of the replacement schools revenue funding from the Scottish Futures Trust.

Group Accounts

Argyll and Bute Council Group comprise the following entities:

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

In addition, the Council's Common Good Funds have been fully consolidated into the Group Accounts, Note 35 on page 111 gives further details on the Council's Common Good Funds.

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £6.554m. This gives an overall net asset position for the Group of £157.758m, a decrease of £53.449m from the previous year. As with the single entity Balance Sheet, the decrease is mainly related to the increase in the pension liability due to the change in discount rate used.

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between Argyll and Bute Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the Strategic Planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £55.439m towards the Argyll and Bute Integration Joint Board in the 2016-17 financial year. All transactions are accounted for and shown within the single entity statements and therefore there is no material impact on the group accounts.

5. KEY FINANCIAL INDICATORS

The following financial indicators have been developed to assist the reader in assessing the performance by the Council over the last financial year and the affordability of its ongoing commitments.

Financial Indicator	2016-17	2015-16	Comment
Unallocated General Fund Balance as a proportion of next year's Annual Budgeted Net Expenditure	3.39%	3.84%	Reflects the level of funding available to manage financial risk/unplanned expenditure. This includes the 2% contingency. There are sufficient reserves to meet any unplanned expenditure.
Movement in the Unallocated General Fund Balance	Decrease £1.1m	Decrease £7.8m	Reflects the extent to which the Council is using its Unallocated General Fund Balance.
In-year collection rate	95.79%	95.97%	Reflects the Council's effectiveness in collecting Council Tax debt. Collections are down mainly due to the level of increased double charges applied for long term empty properties and penalties which are hard to collect (up by £197k), and due to the reduced level of council tax reduction being afforded (down by £198k.) This is offset by improved current year sheriff officer collections (up by

Financial Indicator	2016-17	2015-16	Comment
			£453k). Despite the collection percentage being down, income exceeded budget by £782k.
Ratio of Council Tax Income to Overall Level of Funding	17.47%	16.39%	Reflects the capacity of the Council to vary expenditure by raising Council Tax income. Argyll and Bute Council, in common with other local authorities has frozen Council Tax at 2007-2008 levels.
Actual Outturn compared to budgeted expenditure	£2.883m 1.16%	£1.612m 0.64%	A measure of how the final outturn compares to the budgeted position and is a reflection of the effectiveness of financial management.
Capital Financing Requirement (CFR) for the current year	£253.910m	£253.896m	Measurement of requirement to borrow for capital purposes.
External Debt Levels for the current year	£170.503m	£158.090m	Actual borrowing for capital investment levels.
Ratio of financing costs to net revenue stream	7.77%	7.56%	Measures the percentage of income that has been committed towards meeting the costs of borrowing. The more income needed to fund financing costs the less available to meet other revenue expenditure.

6. PLANS FOR THE FUTURE

2017-18 Budget

One of the elements of the budget strategy agreed in December 2014 was Service Choices. Service Choices was an approach to plan for the estimated funding reductions by aligning the available budget to Members priorities. During 2015, the Council developed a number of service choices savings options that went out to public consultation prior to being considered by Members as part of setting the budget for 2016-17. Some of the savings were deliverable in 2016-17 and some were from 2017-18 or beyond. This budget created a solid foundation to work from and for the 2017-18 budget most of the savings required to balance the budget had already been agreed as part of the service choices decisions in February 2016. Efficiency savings for 2017-18 were also agreed in October 2016, in advance of the budget setting and this also reduced the budget gap.

Despite only receiving a one year settlement for Scottish Government, the Council agreed a revenue budget for 2017-18 and two year indicative budgets for 2018-19 and 2019-20. The Council also agreed updates to the capital plan covering the period to 2019-20.

Medium to Longer Term Financial Strategy

Creating a financial outlook is challenging as a number of assumptions need to be made anticipating changes to the base budget in relation to employee costs, non-pay inflation, cost and demand pressures and fees and charges as well as assumptions on the Council's funding position. When forecasting the funding there are a number of variables to consider including the overall level of public sector budgets, the amount the Scottish Government decides to allocate to fund Local Government, the impact of population reductions on Argyll and Bute and scope for any future Council Tax increases.

The Council accepts the current financial climate we are in. The Council are in a period of one year settlements which doesn't give it any degree of certainty into the medium term. The ring fencing of monies limits what we can do and additional policy and legislative implications, not always fully funded, continues to put financial pressure on Councils.

A three-year financial outlook covering the period 2017-18 to 2019-20 was kept up to date during the financial year and presented to Members at the Policy and Resources Committees in August, October and December 2016 as well as a further update at a Members Seminar held in January 2017. There continues to be a challenging economic position and the council expects to face further significant financial changes in the coming years with continuing growth in demand for services alongside a climate of funding reductions. The indicative budgets for 2018-19 and 2019-20 estimate a budget gap of £9.300m by 2019-20 and it is anticipated that a significant scale of saving is likely to continue over the medium to longer term.

The council has recognised the need to develop a medium to longer term financial strategy. The purpose of the medium to longer term financial strategy will be to set out a plan to demonstrate how the council will respond to the demands and pressures whilst ensuring that there is a sustainable council that meets the needs of its communities and one that can take advantage of opportunities that arise.

The medium to longer term financial strategy will be underpinned by a set of principles that support the longer term financial sustainability of the council. These principles are summarised as follows and were agreed by Council in February 2017. The financial strategy will be developed during 2017.

- Resources aligned with the Local Outcome Improvement Plan (LOIP)
- Direct provision versus commissioned services (make or buy)
- Digital transformation
- Shared Services
- Commercial activities (via trading accounts)
- Arm's Length External Organisations (ALEOs)
- Commercial sponsorship
- Investment opportunities
- Volunteering for core services
- Fully centralised procurement
- Engaging Trade Unions in full partnership
- Shared and improved asset utilisation
- Management structure
- Work patterns and shift arrangements.

Strategic workforce planning is a key element of the medium to longer term financial strategy and work has commenced on this theme with a view to ensuring that the Council has a workforce that can support the organisation in the future to meet its medium to longer term financial challenges. It is envisaged that this element of the strategy will be considered by Members in the autumn.

Argyll, Lomond and the Islands Regeneration Initiative

The Council agreed, in February 2016, to establish the new flagship “Argyll, Lomond and the Islands Regeneration Initiative”. This initiative encompasses all existing and new strategies and plans in relation to population and economic growth into a single and cohesive programme. The focus is supporting the Local Outcome Improvement Plan’s overarching vision to build the economy through a growing population. Three new investments were agreed, totalling £4.5m: Inward Investment Fund, Rural Resettlement Fund and the Lochgilphead and Tarbert Regeneration Fund.

Inward Investment Fund - the Council agreed to allocate £1m towards this Fund to promote economic growth in Argyll and Bute through attracting significant inward investment to the area. It is proposed that the fund is focused on a smaller number of larger strategic investments that have real transformational opportunity. To date we have allocated a £0.040m grant that was matched by both HIE and Discover Space UK creating a fund of £0.120m towards developing the proposition and attraction of investors for a space port at Machrihanish. A bid for a potential grant for feasibility work in relation to the spaceport was submitted to the UK Government on the 28th of April.

Rural Resettlement Fund - the Council agreed to allocate £0.5m to this Fund which is intended to be focused on people. This fund will seek to either incentivise people to settle in Argyll and Bute or create/promote opportunities to do so. This may include businesses where individuals are prepared to move to Argyll and Bute to start up or relocate their business. The specific objective of this fund is growing our population with the benefits of creating economic activity and increasing the Council’s Grant Aided Expenditure. The fund was launched at Argyll Enterprise Week in October 2016. As of 11 May 2017 we have received 19 applications, approved 12, assessing 1 and 6 were either withdrawn or rejected due to not meeting the criteria. Total awarded is £0.056m. Officers are about to launch a further marketing campaign with a key focus on social media.

Lochgilphead and Tarbert Regeneration Fund - the Council agreed to award £3m to this Fund to build on the regeneration work in Campbeltown and it is deemed that the main objective of this fund is to promote the regeneration and/or economic development of Lochgilphead, Tarbert and surrounding areas. 11 short listed projects were approved by the Mid Argyll, Kintyre and Islay area committee on 7 December 2016. The next stage is the completion of outline business cases for the projects and scoring of the projects with the highest scoring projects to be moved onto delivery.

Leisure and Libraries Trust

Like all Local Authorities across Scotland, the Council is facing significant budgetary pressure that continues to increase on an annual basis. These pressures are exacerbated particularly within the Leisure and Library Services, where there is an expectation that these services need to improve to satisfy growing customer expectations. Delivering these services through a Charitable Trust creates the opportunity for a new delivery model that can help to reduce these pressures on the Council’s services. This route is well established in Scotland, with only a handful of the 32 Local Authorities not adopting this approach. The Council, at its meeting on 24 November 2016 approved the business case for the creation of a Charitable Trust to deliver leisure and library services in Argyll and Bute.

By reviewing the extent of the possible Non Domestic Rates and Value Added Tax savings and understanding the opportunities for improving the delivery of these services, there is an expectation that the provision of these services in a more efficient manner will reduce the financial burden on the Council. It is anticipated that the Leisure Trust will be operational from October 2017 with part year savings of £0.270m in 2017-18 rising to full year savings of £0.541m in 2018-19 and beyond.

In addition to the direct financial savings to the Council, a number of other key benefits associated with the transfer of services to a Charitable Trust have been identified including:

- A single focused body with clarity of outcomes
- Independence and the ability to diversify
- Increased access to other funding streams
- Commercial revenue growth
- Improved financial performance.

External Funding levered in to Argyll and Bute

The Council is committed to leveraging in external funding to the area. Since 2014, the Economic Development and Strategic Transformation (EDST) team has secured over £15m in external funding, with £6m of this total secured in 2017 with a decision on a further £2m of Heritage Lottery Fund (HLF) funding expected in June. EDST has been successful with 3 out of 3 bids for Regional capital Grant Funding, 2 out of 2 bids for Conservation Area Regeneration Scheme (CARS) funding in Dunoon and Rothesay, £0.800m of Sustrans funding, £1m European Regional Development Fund (ERDF) funding for the Pavilion in Rothesay and £0.250m ERDF funding for business growth. A number of smaller bids have also been successful. Future bids from a range of external funders are being planned for this financial year.

Transformation Work

The Council is committed to driving forward change through transformation and innovation. The Council has previously demonstrated that it is able to work in innovative ways in order to improve service delivery, make savings or generate income.

A Transformation Board has now been established to take forward further transformational change. Their main focus is delivering change to improve service delivery and to help balance the budget in 2018-19 and beyond.

The main work streams as part of the transformation programme include the following.

Transformation Packages challenging services to achieve savings via four operating principles; business cost reduction, income maximisation, service re-design and self-funding. All frontline services have been split into service packages that are not subject to specific government protections. The Transformation Board have then identified a minimum savings target along with the operating principle(s) anticipated to deliver the savings. However this is not prescriptive, services are challenged to consider how the saving may be achieved and if additional methods of delivering savings can be identified. The percentage targets vary taking into account the opportunities provided in each service package by the four operating principles and also the need to achieve the anticipated budget reductions over the next 2 financial years and beyond.

Innovation Fund – this was created to fund innovative projects identified by staff and two projects have received funding to date as noted below. A further four pitches will be made to the Transformation Board in June 2017.

- Warp It - Warp It – is a piece of web based software which aids the redistribution of surplus new and used items such as furniture and stationery and is managed by the centralised purchasing team. The main benefits of using this system are:
 - Cost avoidance – reusing items instead of buying new
 - Maximise the usage of National and Council Contracts
 - Cash savings from effective negotiation with suppliers where contracts are not in place.

Management Commentary

- Time saving to staff
- Improved use of Council's Purchasing Cards
 - Print management solutions – is the roll out of the Uniflow print system where individual printers are being replaced with multi-functional devices using the Uniflow print system reducing the cost of purchasing hardware and toners.

Asset Management and Investment Fund – the purpose of this fund is to generate income for the Council by seeking out investment opportunities that will provide the Council with a commercially advantageous financial return. The fund is currently invested in an enhanced cash fund while opportunities for investments are explored.

Catering and Cleaning Innovation – A number of service transformation options have been identified by the Catering and Cleaning Services to deliver savings and additional income. There are eight main workstreams with savings of £0.777m being realised over 2018-19 and 2019-20.

Digital Transformation – Eleven projects have been identified which will be taken forward in 4 tranches. There are also a range of further digital initiatives identified at our Chief and Senior Officer event in March 2017. Work is already underway on some of these initiatives.

Shared Services and Partnership Working

The Council has increasingly explored and undertaken innovative approaches to partnership working and shared services in a manner that can support community development, create economic activity, secure the future of our built environment, reduce costs whilst maintaining or improving service levels, generate income and secure employment.

A range of examples include working with;

- Conservation groups to lever in funding to secure a sustainable future for historic buildings and environments important to the identity and sense of place for our communities e.g. St Peters Seminary, Dunoon Conservation Area Regeneration Initiative, and Rothesay Town Heritage bid.
- Shared service agreements with community groups for the provision of Customer Service Points on Colonsay, Jura and Tiree including for Passport Service Interviews at all Customer Service Points to reduce need for travel to secure a passport.
- Public sector partners and community development trusts for the development of community plans through 'charrettes' or 'planning for real' which influence the Local Development Plan and other strategic plans e.g. Dunoon, Scottish Canals, Tiree Development Trust.
- Partnership working with agencies and industry to support the growth of key economic sectors e.g. Argyll and Bute Renewables Alliance, Argyll and the Isles Tourism Cooperative Ltd, Oban as a University Town.
- Commercial provision of services including grounds maintenance (Scottish Canals), Building Standards verifications (Babcock), LGV and HGV vehicle maintenance and repair, Planning Services for Loch Lomond and the Trossachs National Park.
- Housing; pilot to create a 'Simplified Planning Zone' for self-build, close working with agencies and housing associations to deliver significant but challenging housing sites e.g. Dunbeg, Ganavan and Inveraray.
- Joint working with Transport Scotland on winter roads maintenance including sharing of depots, fleet and salt stores.

The council continues to explore new initiatives of sharing and or selling professional services and equipment in a manner that safeguards council employment and or supports our strategic priorities.

Highways Network Assets

Last year we reported that the 2016-17 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) had introduced changes, due to take effect from 1 April 2016, to measure the Highways Network Asset at current value, i.e. Depreciated Replacement Cost. The new Highways Network Asset will effectively replace large elements of the current Infrastructure Asset category within Property, Plant and Equipment which is currently valued at historic cost.

This change is to ensure that the Highways Network Asset is reflected at the true economic value and operational cost of the substantial resources held and maintained by local authorities.

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

CIPFA/LASAAC Local Authority Accounting Code Board is responsible for the development of the Code of Practice on Local Authority Accounting in the United Kingdom which specifies the financial reporting requirements for local authorities.

We will continue to keep a watching brief on this matter for future years.

7. CONCLUSION

The Council has continued to demonstrate sound financial management in 2016-17 by delivering services within the resources available. The operating environment going forward remains very challenging from the combined effect of reduced resources and increasing demand and expectation for our services. The council, despite these challenges, remains financially sound and is well placed to deliver services to the people of Argyll and Bute in the future.

8. ACKNOWLEDGEMENTS

We would take this opportunity to acknowledge the significant effort in producing the Annual Accounts and to record our thanks to both Elected Members and staff for their continued hard work and support.

Statement of Responsibilities for the Annual Accounts



THE AUTHORITY'S RESPONSIBILITIES

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Strategic Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the Annual Accounts for signature.

THE HEAD OF STRATEGIC FINANCE'S RESPONSIBILITIES

The Head of Strategic Finance is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing the Annual Accounts, the Head of Strategic Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code of Practice 2016-17 (in so far as it is compatible with legislation).

The Head of Strategic Finance has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2017.

Kirsty Flanagan
Head of Strategic Finance
29 June 2017

BACKGROUND / SCOPE OF RESPONSIBILITY

The governance framework includes the systems, processes and culture by which the Council is controlled, and engages with its communities. It allows the Council to monitor the achievement of its strategic objectives. Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

The system of internal control is a key part of the framework, and is designed to manage risk to an acceptable level.

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

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

THE GOVERNANCE FRAMEWORK

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies. The six key principles of our governance arrangements in 2016-17 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance. Key features of our arrangements are summarised below.

1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area

Our Corporate Plan 2015-17 sets out our mission “To make Argyll and Bute a place people choose to live, learn, work and do business”. The Corporate Plan supports the Local Outcome Improvement Plan and Delivery Plan. The focus of the priorities is to ensure that more jobs and more people are attracted into Argyll & Bute and progress against outcomes and targets is monitored on a regular basis by the Community Planning Partnership.

We have a Planning and Performance Management Framework (PPMF) that ensures performance is integral to the work of the Council. The PPMF details the structure and process for performance management at all levels. Plans specify the outcomes to be achieved aligned to success measures, as well as risks to be reduced. During the year the PPMF was reviewed and following Council approval was updated to the Performance Improvement Framework (PIF) with an enhanced focus on strategic outcomes to support improved scrutiny by elected members.

Councillors and senior managers review and scrutinise the Council's performance at all levels to ensure our services are having the desired impact on our communities and customers. At a strategic level performance is scrutinised through our Strategic Committees and more locally at our Area committees. The Performance Review and Scrutiny Committee, which meets four times a year has a key role in reviewing and scrutinising how we are meeting our strategic objectives. The new Council has agreed in May 2017 to develop an Audit and Scrutiny Committee as part of its review of political management arrangements.

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

We updated our constitution in June 2016 to define the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The new Council has considered a report from the Short Life Working Group (SLWG) on Political Management arrangements and will require to make decisions as to how they will undertake their business as Councillors and adjustments will then be made to the Council constitution to give effect to any changes required.

The constitution includes collective and individual roles and responsibilities of the Leader, Provost, Policy Lead Councillors, other councillors and officers. It also includes a protocol for the role of the Monitoring Officer (the Executive Director for Customer Services).

New auditing arrangements are in place for best value, i.e., a new approach to auditing Best Value was agreed in June 2016 whereby Best Value will be now be assessed over the five year audit appointment, as part of the annual audit work. A Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once during this five year period. The BVAR report for Argyll and Bute is not planned in the period covered by this scrutiny plan.

3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

We have four values, which underpin what we do and how we do it:

- we involve and listen to our customers and communities
- we take pride in delivering best value services
- we are open, honest, fair and inclusive
- we respect and value everyone

We have developed and communicated an Ethical Framework within the Council's Constitution, which defines standards of behaviour for members and staff. Protocols for Member/Officer relations are also detailed within the Constitution.

The Councillor's Code of Conduct is set out at a national level, applying to all members in Scottish local authorities. A register of members' interests is being developed for inclusion on the Council's website.

The code of conduct and protocols are supported by training and development programmes for elected members by offering PRD plans and on the basis of these we construct training and development programs and seminars.

4. Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk; ensuring effective counter fraud and anti-corruption arrangements are developed and maintained

We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals - these clearly define how decisions are taken and the processes and controls in place to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. Both the Audit Committee and the Performance Review and Scrutiny Committee receive regular reports on the risk management framework. The Performance Review and Scrutiny Committee

have drafted a handbook which will be considered in detail upon agreement of political management arrangements.

The anti-fraud strategy was reviewed and there are effective arrangements for whistle-blowing and for receiving and investigating complaints from the public and partners.

The Counter Fraud Investigation Team is the single point of contact for the DWP regarding Housing Benefit cases. It is responsible for fraud investigation relating to Council Tax discounts and exemptions and the overall Council Tax reduction scheme and assists internal audit in broader counter fraud activities.

5. Developing the capacity and capability of members and officers to be effective

Elected Member Development

We have signed up to the Improvement Service's Continuing Professional Development Framework for elected members. The majority of elected members now have personal development plans in place and dedicated days are set aside for member training and seminars on key issues. Following the election in May, all Members of the new Council were offered and provided with a full induction programme.

The Audit Committee and Performance Review and Scrutiny Committees each held development days in 2016-17, and have agreed work plans for improvement. The Audit Committee self-assessed its effectiveness, and identified key actions which were taken forward during 2016-17, including the development of protocols for co-ordination of work with the PRS Committee, and the development of a materiality matrix.

Officer Development

The council supports officer development through a structured approach, driven by the values set out in the Corporate Plan, supported by a behavioural competency framework and underpinned by a systematic approach to identifying core and mandatory training requirements in all council job descriptions.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensures that all employees who have management responsibilities are knowledgeable and effective in delivering services within the priority management policies and procedures of the council, including finance, performance and people management. The Leadership Programme ensures that senior and aspiring leaders in the organisation have support to develop their leadership behaviours and to improve their overall impact and performance across the organisation.

The council is committed to delivering a programme of annual Performance Review and Development, which in turn informs the Corporate Training Programme that is delivered annually.

6. Engaging with local people and other stakeholders to ensure robust public accountability

We have established clear channels of communication with the community and other stakeholders through our Communication Strategy. Key mechanisms include;

Annual Budget Consultation

The Council undertakes a wide ranging budget consultation exercise each year, using a range of channels including written, face to face, online, Community Councils and through partner organisations and community groups in the Community Planning Partnership. The results of the consultation are then used to inform the members' budget decision making process and are reported to the Council as part of the budget reports pack.

Consultation Diary

The Council has developed a consultation section on its website which hosts all consultations run by the council, both current and historic. This includes a section which makes public the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they have been informed by the consultation process.

Public Performance Reporting

The council makes all performance information available to the public on the Performance pages of the website. This includes information on performance scorecards, budgets and other service related information. This ensures that the council is openly accountable to the public for its performance against agreed policies and standards.

Community Engagement

The Council supports good community engagement with the resourcing of Community Development Officers in Community Services and the work of the Youth Forum staff in Youth Services. Both teams have resources and expertise to support children and young people, hard to reach groups and remote communities to have a voice in local service planning, delivery and evaluation, as well as best community engagement practice for any other requirement.

Local Community Development Officers have also been supporting community groups, organisations and individuals, particularly those who do not traditionally engage in community issues, to participate in local area community planning groups.

The Area Governance section of the Council supports community engagement by providing the staff resource to support four Area Community Planning Groups which act as a forum to enable local groups and organisations to participate in community planning at a local area level throughout Argyll & Bute.

It also supports community engagement at grass roots level by providing support to local partnerships which feed into the activities of the Area Community Planning Groups and by resourcing Community Council Liaison activities, including a training programme, which helps to build the capacity of Community Councils.

The Council produced a Community-Led Action Planning Toolkit in partnership with Scottish Community Development Centre (SCDC). Communities are being supported to consider use of the online toolkit in developing action plans that the community can lead on to address issues and needs in their communities. There are a number of existing community-led action plans and these are recognised as important community contributions to Area Community Planning.

A strong Community Planning Partnership (CPP) is in place with each partner assuming a lead role for one of the outcomes. This enhances the shared sense of accountability and ownership of working towards realising the priorities of the CPP.

Council/Committee Meetings

Meetings are always held in public, unless one of the statutory exemptions in the Local Government (Scotland) Act 1973, schedule 7A applies to the content of the report. When this is the case papers are adjusted to ensure that the maximum amount of content is in the public domain.

GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The legislative framework of local government defines a number of posts which are primary to the governance arrangements in the Council. These include the Chief Executive, fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director of Customer Services has responsibility for:

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

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service.

Specific responsibilities are assigned to the Head of Strategic Finance, as Chief Finance Officer, to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Finance Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation.

AUDIT SCOTLAND FOLLOW-UP AUDIT

In December 2015, the Accounts Commission published their findings on the Controller of Audit's Statutory Report on the Council with regards to Best Value and focused on the Council's;

- Political management arrangements.
- Scrutiny
- Roles and relationships, including between members and officers

In January 2016, the Council considered these findings and agreed to the development of an Improvement Plan. A further report was submitted to the Council on 20 April 2017 in relation to the following themes;

- Establish a more open and transparent culture and style of working
- Standards
- Taking a more innovative approach to dealing with financial challenges
- Community engagement
- Local empowerment
- Accessible training and development for elected members

The Council noted the progress made and agreed that the outstanding action in relation to local empowerment would be monitored via the Community Empowerment Action Group. In addition, the Council noted that further updates should come forward in due course including in relation to the budget process review (2016) as per the recommendations of the Accounts Commission.

FINANCIAL SUSTAINABILITY

Creating a financial outlook is challenging, as a number of assumptions need to be made anticipating changes. The Council accepts the current financial climate we are in. The Council is in a period of one year settlements which doesn't give us any degree of certainty into the medium term. The ring fencing of monies limits what we can do and additional policy and legislative implications, not always fully funded, continues to put financial pressure on Councils.

During 2015, the Council developed a number of service choices savings options that went out to public consultation prior to being considered by Members as part of setting the budget for 2016-17. Some of the savings were deliverable in 2016-17 and some were from 2017-18 or beyond. This budget created a solid foundation to work from and for the 2017-18 budget most of the savings required to balance the budget had already been agreed as part of the service choices decisions in February 2016 and a series of management efficiency savings agreed in October 2016.

The Council agreed, in February 2016, to establish the new flagship "Argyll, Lomond and the Islands Regeneration Initiative" which encompasses all existing and new strategies and plans relating to population and economic growth into a single and cohesive programme to ensure focus in supporting the Local Outcome Improvement Plan's overarching vision to build the economy through a growing population. Three new investments were agreed, totalling £4.5m: Inward Investment Fund, Rural Resettlement Fund and the Lochgilphead and Tarbert Regeneration Fund. The Council also agreed to create an Asset Management and Investment fund of £2m with the purpose of generating income for the Council by seeking out investment opportunities that will provide the Council with a commercially advantageous financial return on investment.

The Council is committed to driving forward change through innovation. The Council has previously demonstrated that it is able to work in innovative ways in order to improve service delivery, make savings or generate income. A Transformation Board has now been established to take forward further transformation change. Their main focus is constructing a coherent approach to the medium/long term transformation of the Council which includes the development of a budget strategy delivering improved service efficiency and to help balance the budget in 2018-19 and beyond. The Board are looking at digital transformation, overseeing the catering and cleaning innovation project and exploring investment opportunities in addition to leading on an approach to balancing the budget over the medium term which challenges services to look for different ways to deliver their service, using four approaches – business cost reduction, service re-design, income generation and maximisation and self-financing.

The Council has recognised the need to develop a medium to longer term financial strategy. The purpose of the medium to longer term financial strategy will be to set out a plan to demonstrate how the council will respond to the demands and pressures whilst ensuring that there is a sustainable council that meets the needs of its communities and one that can take advantage of opportunities that arise. The medium to longer term financial strategy will be underpinned by a set of principles that support the longer term financial sustainability of the council. These principles are summarised as follows and were agreed by Council in February 2017. The financial strategy will be developed during 2017.

- Resources aligned with the Local Outcome Improvement Plan (LOIP)
- Direct provision versus commissioned services (make or buy)
- Digital transformation
- Shared Services
- Commercial activities (via trading accounts)
- Arm's Length External Organisations (ALEOs)
- Commercial sponsorship
- Investment opportunities

- Volunteering for core services
- Fully centralised procurement
- Engaging Trade Unions in full partnership
- Shared and improved asset utilisation
- Management structure
- Work patterns and shift arrangements.

INTERNAL FINANCIAL CONTROL

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers within the Council and the named bodies mentioned below.

In particular the system includes:

- comprehensive budgeting systems;
- regular reviews by the Council and the named bodies (mentioned below) of periodic and annual financial reports which indicate financial performance against forecast;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against forecast;
- clearly defined capital expenditure guidelines;
- project management disciplines;
- guidance relating to financial processes, procedures and regulations; and
- an effective Internal Audit Section

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

This annual review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

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

RISK MANAGEMENT

The Council's Risk Management and Business Continuity Strategies are well developed. The Chief Executive submits an annual report on Audit and Risk Management to the Audit Committee. The Strategic risk register is currently subject to review in respect of content and format. A well-developed preparation methodology remains in place.

SMT will continue to review risks on a regular basis and ensure that active mitigations are in place.

Operational Risk Registers are reviewed on a regular basis and updated where required to inform performance scorecards. Results from the annual CIPFA benchmarking exercise demonstrated that we maintained an overall embedded and integrated rating.

During 2016-17, the Audit Committee considered an updated assurance map, which highlighted the Council's key risks, and the source and level of assurance that the Council receives on those risks,

based on the three lines of defence model. Internal audit plans for 2017-18, where appropriate take cognisance of the areas where additional assurance is required.

A Risk Management Strategy has been developed by Argyll and Bute Health and Social Care Partnership. Further work is required in respect of shared risk 2016-17 have been targeted to provide the Audit Committee on areas where additional assurance is required.

A Risk Management Strategy has been developed by Argyll and Bute Health and Social Care Partnership and will be presented to both partner organisations for approval in May/June 2016 prior to it being approved by the Integration Joint Board.

INTERNAL AUDIT

Argyll and Bute Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards (PSIAS). The work of internal audit is informed by an analysis of the risk to which the Council and its Group bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit Committee endorses the preparation methodology and annual internal audit plans and monitor the performance of Internal Audit in completing the plan.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council and this states substantial assurance can be taken that the systems of governance and internal control are operating effectively

Internal audit provides Members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External Audit has and continues to place reliance on the work of internal audit. The Chairman and Vice Chairman are independent lay members of the Audit Committee.

HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute Integration Joint Board has been established as a separate legal entity from either Argyll and Bute Council and NHS Highland, with a separate board of governance. The Integration Joint Board comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members of NHS Highland. In addition there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff. The arrangements for the operation, remit and governance of the Integration Joint Board are set out in the Integration Scheme. The Integration Scheme also outlines the scope and functions of services that are delegated, the clinical and care governance, financial and operational management arrangements.

From 1 April 2016 the Integration Joint Board, via a process of delegation from the Council and Health Board has responsibility and its Chief Officer has responsibility from 1 April 2016 for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute. The overarching strategic vision, mission and values of the Integration Joint Board are set out in the Strategic Plan and Strategic Objectives are aligned to deliver on the National Outcomes for Adults, Older People and Children.

The Council places reliance on the internal controls in place for the operation of the Integration Joint Board and similarly the IJB places reliance on the procedures, processes, policies and operational systems of Argyll and Bute Council and NHS Highland. The Integration Joint Board operates within an established procedural framework. The roles and responsibilities of Board members and officers are defined within Standing Orders, the Integration Scheme, Financial Regulations and Standing Financial Instructions.

The Integration Joint Board has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based audit plan was carried out in 2016-17 and the internal audit report for the year concluded that the Integration Joint Board has a framework of controls in place that provides reasonable assurance over the effective and efficient achievement of the organisation's objectives and the management of key risks, governance, processes and the overall control environment.

Progress has been made in the first year of the operation of the Integration Joint Board to ensure appropriate governance and information sharing arrangements are in place, further improvement and development of governance arrangements is ongoing to safeguard the future success of the partnership.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2017-18, particularly in the context of continuous improvement within the Council:

- The review of governance and internal control has identified the following areas for consideration during 2017-18, particularly in the context of continuous improvement within the Council:
- During 2016-17 the Council received 1340 requests for information of which 1264 (94.33% increased from 93% for 15-16) were responded to within the required timescale. The Council received 39 requests for review (2.9% reduced from 3.5% for 15-16).
- The development of a medium to longer term financial strategy
- The Strategic Risk Register is subject to continuing review
- Internal Audit presented 4 out of 30 reports with a limited level of assurance during the year. Management have accepted 100% of recommendations and have a robust follow-up system to track actions arising ensuring timely implementation through the SMT meeting programme.
- Development of delivery plans for the Local Outcome Improvement Plan and ensuring these reflect Council priorities.
- Review and develop the current monitoring and reporting arrangements in respect of the Health and Social Care Partnership
- Ensuring effective engagement with scrutiny bodies who engage with the Council. The Local Scrutiny Plan (LSP) sets out the planned scrutiny activity in Argyll and Bute Council during financial year 2017/18 and is based on a shared risk assessment undertaken by a Local Area Network (LAN).
- The LSP notes the recent Strategic inspection of the Council's education functions which identified areas of strength as well as areas which require improvement. We will work with Education Scotland who will provide support and monitor progress towards improvement on the agreed actions.
- Ensuring that we have a sustainable budget for the future and that reduced budget/resources are aligned to support council priorities and delivery of the Local Outcome Improvement Plan. Whilst we have delivered a number of transformation savings already, we hope this area of work will deliver savings from 2017-18 onwards.
- Ongoing development of performance management and improving performance scrutiny.
- Strategic workforce planning is a key element of the medium to longer term financial strategy and work has commenced on this theme with a view to ensuring that the Council has a workforce that can support the organisation in the future to meet its medium to longer term financial challenges. It is envisaged that this element of the strategy will be considered by Members in the autumn.
- Further development of risk management to ensure that it remains embedded within council business.
- Training community groups on the Community-Led Action Planning Toolkit and ensuring that the development of Community-Led Action Plans feed into Area Community Planning Groups.

- Ensuring the internal audit function is fully resourced and work is planned to ensure the 2017-18 audit plan is delivered and that further improvements in the development of internal audit are achieved.
- Ensure good governance and scrutiny arrangements are further developed and maintained in respect of the Health and Social Care Partnership.
- The actions being taken by the Council continues to improve political management arrangements and governance within the Council. The new Council has considered a report from the SLWG on Political Management arrangements and will require to make decisions as to how they will undertake their business as Councillors and adjustments will then be made to the Council constitution to give effect to any changes required.
- Implement new legislation as it applies to and affects the provision of Council Services.
- Further enhance and improve the tone of our correspondence to further develop a climate of openness with our customers.

ASSURANCE

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

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

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2016-17 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement..

BACKGROUND

The Local Authority Accounts (Scotland) Amendment Regulations 2014 (SSI No.2014/200) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. All information disclosed in the tables in this Remuneration Report has been audited by Audit Scotland. All other sections within the Remuneration Report have been reviewed by Audit Scotland to ensure it is consistent with the Financial Statements.

REMUNERATION POLICY AND ARRANGEMENTS

Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2007/183), further amended by Regulations 2013 (SSI No 2013/351). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), senior councillors or councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

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

The Regulations also provide for the banding of local authorities – Argyll and Bute is in Band B, the Council has determined the level of remuneration for councillors within that banding. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016-17 the salary for the Leader of Argyll and Bute Council is £33,761. The Regulations permit the council to remunerate one Civic Head. The Regulations set out the maximum salary that may be paid to that Civic Head. The Council's Civic Head is The Provost and their remuneration is set at £25,320 which is the maximum allowed for Local Authorities in Band B.

The Regulations also set out the remuneration that may be paid to senior councillors in addition to the Leader and Civic Head and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its senior councillors shall not exceed £0.295m. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors up to a maximum of 14 and their salary within these maximum limits. The Council's policy is to pay a salary of £23,914 to each appointed spokesperson and the Chair of the Protective Services and Licensing Committee. Chairs of Area Committees without a spokesperson's remit are paid a salary of £19,939.

In 2016-17 Argyll and Bute Council had 10 senior councillors in the administration (excluding the Provost and the Leader). The total salary remuneration for senior councillors (including the Provost and the Leader) during 2016-17 was £0.286m. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

Senior Employees

The salary of senior employees is set by reference to national arrangements as well as local decisions on management structures and their associated remuneration levels. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services (Chief Officials) sets the salary levels for the Chief Executives of Scottish Local Authorities and also sets out the spinal column salary points for Chief Officers which local authorities can utilise in setting the salary levels for posts within their authority. Circular CO/148 sets the amount of salary for the Chief Executive of Argyll and Bute Council for 2016-17.

The Remuneration Report



The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary in two bandings. Executive Directors receive 80% of the amount of the Chief Executive's salary and Heads of Service 75% of an Executive Director's salary. This equates to Chief Officers Salary Scale Point (SCP) 43 for Executive Directors and (SCP) 29 for Heads of Service.

COUNCILLORS' REMUNERATION

Councillors' payments are made in accordance with the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007 and The Local Government (Allowances and Expenses) (Scotland) Regulations 2007.

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

Members Allowances	2016-17 Actual £'000	2015-16 Actual £'000
Basic Councillor Salaries	402	392
Leader and Provost's Salary	59	58
Senior Councillor Salaries	227	231
Other Expenses and Allowances paid to Members	88	135
Total Allowances	776	816

The annual return of councillors' salaries and expenses for 2016-17 is available for any member of the public to view at all Council libraries and public offices during normal working hours. It is also available on the Council's website at <http://www.argyll-bute.gov.uk/council-and-government/councillors-and-community-councillors>.

The Remuneration Report

SENIOR COUNCILLORS' REMUNERATION

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

Senior Members	Responsibility	2016-17				2015-16
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Rory Colville	Lead Councillor for Education and Lifelong Learning (From 23/04/16), Chair of Mid Argyll, Kintyre and the Islands Area Committee	23,914	-	-	23,914	23,272
Councillor Maurice Corry	Lead Councillor for Health and Social Care Integration from 21/01/16 to 30/06/16	10,960	-	-	10,960	3,892
Councillor Robin Currie	Lead Councillor for Community & Culture and Strategic Housing (responsible for Gaelic from 23/04/15)	23,914	348	-	24,262	23,976
Councillor Mary Jean Devon	Lead Councillor for Health and Social Care Integration (from 23/04/15 to 05/01/16), Lead Councillor for Children and Families to 23/04/15	-	-	-	-	19,565
Councillor Kieron Green	Lead Councillor for Health and Social Care Integration from 30/06/16	12,954	-	-	12,954	-
Councillor David Kinniburgh	Depute Provost from 21/01/16, Chair of Planning, Protective Services and Licensing Committee, additional responsibility for Planning Services, Historic and Sustainable Environment from 23/04/15	23,914	-	-	23,914	23,687
Councillor Alistair MacDougall	Lead Councillor for Strategic Transportation from 23/04/15, Lead Councillor for Gaelic (from 28/09/14 to 23/04/15)	23,914	-	-	23,914	23,687

Senior Members	Responsibility	2016-17				2015-16
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
The Late Councillor Duncan MacIntyre	Lead Councillor for European Affairs, Sustainable Economic Growth and Strategic Transportation to 23/04/15	-	-	-	-	3,464
Councillor Robert E MacIntyre	Chair of Bute and Cowal Area Committee to 29/09/16	11,459	-	-	11,459	19,749
Councillor Roddy McCuish	Chair of Oban, Lorn and the Isles Area Committee (from 25/09/14)	19,939	-	-	19,939	19,749
Councillor Alex McNaughton	Chair of Bute and Cowal Area Committee from 29/09/16	8,438	-	-	8,438	-
Councillor Aileen Morton	Lead Councillor for Sustainable Economic Growth from 23/04/15, Lead Councillor for Education, Lifelong Learning and Strategic IT Services to 23/04/15	23,914	-	-	23,914	23,981
Councillor Ellen Morton	Depute Leader, Lead Councillor for Roads, Amenity Services, Infrastructure, Asset Management and Special Projects	23,914	-	-	23,914	23,687
Councillor Gary Mulvaney	Chair of Helensburgh and Lomond Area Committee	19,939	-	-	19,939	19,749
Councillor Douglas Philand	Depute Provost to 21/01/16, Lead Councillor for Adult Care to 23/04/15	-	-	-	-	3,464

The Remuneration Report

Senior Members	Responsibility	2016-17				2015-16
		Salary, Fees and Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration £	Total Remuneration £
Councillor Len Scoullar	Provost and Lead Councillor for Island Affairs	25,320	641	-	25,961	25,629
Councillor Dick Walsh	Leader, Lead Councillor for Strategic Finance, (IT Services, Improvement, HR and Customer Support, Facility Services, Governance and Law)	33,761	1,333	-	35,094	35,600

Senior Councillors' remuneration in the above tables does not include non-taxable expenses.

The Remuneration Report

EMPLOYEES' REMUNERATION

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

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

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

Range £	2016-17 Number of Officers	2015-16 Number of Officers
£50,000 - £54,999	80	68
£55,000 - £59,999	13	12
£60,000 - £64,999	6	8
£65,000 - £69,999	2	2
£70,000 - £74,999	13	13
£75,000 - £79,999	1	-
£80,000 - £84,999	2	2
£85,000 - £89,999	-	-
£90,000 - £94,999	1	-
£95,000 - £99,999	2	2
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	1
Total	121	109

The Remuneration Report

SENIOR EMPLOYEES' REMUNERATION

The table below provides details of the remuneration paid to the Council's Senior Employees (defined by the regulations) as those forming part of the Council's senior management team, or holding certain statutory posts and any additional employee whose salary is over £150,000.

In 2016-17 there were no employees earning more than £150,000.

The following table sets out the remuneration disclosures for 2016-17 for senior officers:

Post Holder	Salary (Including Fees and Allowances) £	Taxable Expenses £	Total Remuneration 2016-17 £	Total Remuneration 2015-16 £
Chief Executive (from 9-5-16), Executive Director of Community Services (to 8-5-16) - Cleland Sneddon	115,244	4,903	120,147	100,259
Chief Executive - Sally Loudon (to 8-5-16)	21,340	-	21,340	123,530
Executive Director of Customer Services - Douglas Hendry	98,362	297	98,659	97,704
Acting Executive Director of Community Services - Ann Marie Knowles (from 13-5-16) (Full year equivalent)	77,451 97,799	- -	77,451 97,799	- -
Executive Director of Development and Infrastructure Services - Pippa Milne	97,799	68	97,867	96,925
Head of Strategic Finance (Section 95 Financial Officer) - Kirsty Flanagan (from 1-10-15)) (Full year equivalent)	72,978 -	612 -	73,590 -	33,146 71,012
Head of Children and Families (Section 3 Social Work Officer) - Louise Long (from 15-7-15) (Full year equivalent)	72,418 -	929 -	73,347 -	48,892 71,012
Head of Adult Care (Section 3 Social Work Officer) - James Robb (to 14-7-15) (Full year equivalent)	- -	- -	- -	63,596 71,012

During 2016-17 the Chief Executive, Sally Loudon, left the organisation and Cleland Sneddon (Executive Director of Customer Services) was appointed Chief Executive. Ann Marie Knowles was appointed Acting Executive Director of Customer Services.

The Chief Executive's salary (Sally Loudon) in 2016-17 included £2,906 (2015-16 - £4,189) of remuneration for acting as Returning Officer in these years.

During 2015-16 James Robb, Head of Adult Care and the Council's Section 3 Social Work Officer, left the organisation and the responsibility of Section 3 Social Work Officer was transferred to Louise Long, Head of Children and Families.

During 2015-16, Kirsty Flanagan was appointed to the role of Head of Strategic Finance (effective 1 October 2015).

PENSION BENEFITS

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

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

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits accumulated are calculated using pensionable pay each scheme year, rather than final salary. All benefits accumulated prior to 1 April 2015 are protected.

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

The tiers and members contribution rates for 2016-17 are as follows:

Whole time pay	Contribution Rate 2015-16
On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	12.00%

From April 2015, if a person works part-time their contribution is worked out on their part-time pay rate for the job. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49th of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

The Remuneration Report

SENIOR COUNCILLORS' PENSION BENEFITS

The pension entitlements for senior councillors for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

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

Senior Members	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2017 £	For year to 31 March 2016 £		As at 31 March 2017 £	Difference from 31 March 2016 £
Councillor Rory Colville	4,617	4,489	Pension	3,615	608
			Lump Sum	1,529	64
Councillor Maurice Corry	3,889	3,440	Pension	1,577	319
			Lump Sum	-	-
Councillor Robin Currie	4,617	4,572	Pension	3,476	597
			Lump Sum	801	32
Councillor Mary Jean Devon	3,259	4,314	Pension	3,317	384
			Lump Sum	1,452	18
Councillor Kieron Green	3,292	-	Pension	1,599	-
			Lump Sum	-	-
Councillor David Kinniburgh	4,617	4,572	Pension	3,538	620
			Lump Sum	1,480	71
Councillor Roddy McCuish	3,850	3,811	Pension	3,439	479
			Lump Sum	1,517	37
Councillor Aileen Morton	4,617	4,572	Pension	2,051	554
			Lump Sum	-	-
Councillor Ellen Morton	4,617	4,572	Pension	3,784	601
			Lump Sum	1,622	59
Councillor Gary Mulvaney	3,849	3,811	Pension	3,204	497
			Lump Sum		(1,334)

Councillors Len Scoullar, Dick Walsh, Douglas Philand, The Late Duncan MacIntyre, Robert E McIntyre, Alex McNaughton and Alistair MacDougall are not members of Strathclyde Pension Fund.

SENIOR EMPLOYEES' PENSION BENEFITS

The pension entitlements for senior employees for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

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

Senior Officers	In-year pension contributions			Accrued pension benefits	
	For year to 31 March 2017 £	For year to 31 March 2016 £		As at 31 March 2017 £	Difference from 31 March 2016 £
Chief Executive - Cleland Sneddon	22,214	18,498	Pension	44,430	10,020
			<i>Lump Sum</i>	84,582	15,989
Acting Executive Director of Community Services - Ann Marie Knowles	17,719	-	Pension	40,611	11,799
			<i>Lump Sum</i>	82,918	22,130
Executive Director of Customer Services - Douglas Hendry	18,717	18,498	Pension	46,033	2,433
			<i>Lump Sum</i>	97,129	962
Executive Director of Development and Infrastructure Services - Pippa Milne	18,717	18,498	Pension	40,070	2,375
			<i>Lump Sum</i>	79,236	785
Head of Strategic Finance (Section 95 Financial Officer) - Kirsty Flanagan (from 1-10-15)	13,859	11,512	Pension	16,792	1,631
			<i>Lump Sum</i>	20,735	205
Head of Children and Families (Section 3 Social Work Officer) - Louise Long (from 15-7-15)	13,859	13,697	Pension	6,593	1,531
			<i>Lump Sum</i>	-	-

EMPLOYEE EXIT PACKAGES

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

The Remuneration Report

No	2015/16			Exit Package Cost Band	No	2016/17		
	Cash Value					Cash Value		
	Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £			Compulsory Redundancies £	Other Departures £	Total Cash Value Cost £
66	306,493	87,436	393,929	£0 - £20,000	45	106,794	225,776	332,570
7	88,677	99,844	188,521	£20,001 - £40,000	5	-	137,480	137,480
8	207,961	178,207	386,168	£40,001 - £60,000	4	44,304	123,899	168,203
1	60,480	-	60,480	£60,001 - £80,000	2	-	127,484	127,484
1	82,076	-	82,076	£80,001 - £100,000	3	98,802	168,669	267,471
1	103,865	-	103,865	£100,001 - £150,000	-	-	-	-
84	849,552	365,487	1,215,039		59	249,900	783,308	1,033,208

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

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

The total cost of £1.033m in the previous table includes exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. These costs include all exit packages agreed by 31 March in each year, this does not necessarily mean that these payments have been made, for example an employee could have subsequently been re-deployed to an alternative post within the Council. The Council's Balance Sheet includes a provision at 31 March 2017 of £0.25m, this represents the amount which has yet to be paid out by the Council, this amount is included within the bands above.

The supplementary Termination Benefits Note 33 on page 110 provides more information on the exit packages agreed in the last two financial years.

Expenditure and Funding Analysis

2015-16				2016-17		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
2,167	(185)	2,352	Service	2,041	(100)	2,141
			Chief Executive and Strategic Finance			
368	(29)	397	Community Services:	310	(15)	325
12,840	(2,520)	15,360	Executive Director of Community Services	11,170	(2,021)	13,191
71,080	(26,323)	97,403	Community and Culture	72,298	(8,968)	81,266
			Customer Services			
12,706	137	12,569	Executive Director of Customer Services	12,932	182	12,750
7,687	(2,014)	9,701	Customer and Support Services	8,310	(2,408)	10,718
12,140	(7,108)	19,248	Facility Services	11,907	(2,291)	14,198
2,014	(169)	2,183	Governance and Law	2,083	(94)	2,177
3,408	(242)	3,650	Improvement and HR	3,177	(124)	3,301
			Development and Infrastructure Services			
1,246	(103)	1,349	Executive Director of Development & Infrastructure Services	1,268	(54)	1,322
4,257	(508)	4,765	Economic Development	3,886	(566)	4,452
3,149	(375)	3,524	Planning and Regulatory Services	3,003	(224)	3,227
21,899	(7,596)	29,495	Roads and Amenity Services	20,855	(9,858)	30,713
57,769	(2,901)	60,670	Health and Social Care Integration	56,208	(3,184)	59,392
1,414	953	461	Other Non-Departmental Costs	(48)	(518)	470
214,144	(48,983)	263,127	Net Cost of Services	209,400	(30,243)	239,643

Expenditure and Funding Analysis

(220,494)	23,208	(243,702)	Other Income and Expenditure	(210,472)	24,173	(234,645)
(6,350)	(25,775)	19,425	(Surplus) / Deficit	(1,072)	(6,070)	4,998
(46,067)			Opening General fund Balance	(52,417)		
(6,350)			Plus (Surplus) or Deficit on General Fund Balance	(1,072)		
(52,417)			Closing General Fund Balance at 31 March 2017	(53,489)		

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on pages 52 to 53.

Statement of Comprehensive Income and Expenditure

2015-16			Note	2016-17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
2,489	137	2,352	Chief Executive and Strategic Finance	2,268	127	2,141
			Community Services:			
397	-	397	Executive Director of Community Services	325	-	325
20,663	5,303	15,360	Community and Culture	19,057	5,866	13,191
100,864	3,461	97,403	Education	84,892	3,626	81,266
			Customer Services			
14,772	2,203	12,569	Executive Director of Customer Services	15,001	2,251	12,750
35,208	25,507	9,701	Customer and Support Services	36,081	25,363	10,718
32,203	12,955	19,248	Facility Services	27,223	13,025	14,198
2,548	365	2,183	Governance and Law	2,551	374	2,177
3,700	50	3,650	Improvement and HR	3,379	78	3,301
			Development and Infrastructure Services			
1,349	-	1,349	Executive Director of Development & Infrastructure Services	1,322	-	1,322
7,459	2,694	4,765	Economic Development	5,519	1,067	4,452
6,056	2,532	3,524	Planning and Regulatory Services	5,797	2,570	3,227
64,082	34,587	29,495	Roads and Amenity Services	65,894	35,181	30,713
72,161	11,491	60,670	Health and Social Care Integration	75,793	16,401	59,392
482	21	461	Other Non-Departmental Costs	1,557	1,087	470
364,433	101,306	263,127	Net Cost of Services	346,659	107,016	239,643

Statement of Comprehensive Income and Expenditure

		Other Operating Income and Expenditure:	
	323	Net (Gain)/loss on Disposal of Long Term Assets	266
	1,373	Other Operating Income and Expenditure 7	1,339
	1,696	Total Other Operating Income and Expenditure	1,605
		Financing and Investment Income and Expenditure:	
	16,994	Interest Payable and Similar charges	16,133
	(2,514)	Interest and Investment Income	(3,627)
	4,730	Net Pension Interest Expense	3,367
	19,210	Total Financing and Investment Income and Expenditure	15,873
		Taxation and Non-Specific Grant Income:	
	(176,473)	General Government Grants	(166,251)
	(16,922)	Government Capital Grants and Other Capital Contributions 12	(11,375)
	(27,840)	Non-domestic Rates Redistribution	(30,446)
	(43,373)	Council Tax Income	(44,051)
	(264,608)	Total Taxation and Non-Specific Grant Income	(252,123)
	19,425	Deficit on Provision of Services	4,998
	(578)	(Surplus)/Deficit on revaluation of Long Term Assets	(1,290)
	(61,209)	Other Post Employment Benefits (Pensions) 29.2	48,407
	(61,787)	Other Comprehensive Income and Expenditure	47,117
	(42,362)	Total Comprehensive Income and Expenditure	52,115

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis on pages 50 to 51.

Balance Sheet



31 March 2016		Note	31 March 2017	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment 14		
258,485		- Other Land and Buildings	255,848	
10,687		- Vehicles, Plant, Furniture and Equipment	9,552	
201,164		- Infrastructure Assets	200,944	
1,868		- Community Assets	2,271	
2,817		- Surplus Assets	2,907	
15,486		- Assets Under Construction	18,830	
	490,507	Total Property Plant & Equipment		490,352
	1,539	Heritage Assets 15		1,671
	577	Intangible Assets 16		728
	8,094	Investment Property 17		11,021
	491	Long Term Investments 25		492
	4,897	Long-Term Debtors 20		4,926
	506,105	Total Long Term Assets		509,190
		Current Assets		
555		Inventories	529	
18,106		Short Term Debtors (Net of Impairment) 21	15,981	
2,381		Assets Held for Sale 22	691	
35,019		Short Term Investments	52,500	
7,940		Cash and Cash Equivalents 23	7,889	
	64,001	Total Current Assets		77,590
		Current Liabilities		
(18,303)		Short-term Borrowing 25	(14,298)	
(31,915)		Short-term Creditors 24	(30,115)	
-		Capital Grant Receipts in Advance 28	(567)	
(2,675)		Provisions 27	(1,818)	
(1,935)		Other Short Term Liabilities 26	(2,008)	
	(54,828)	Total Current Liabilities		(48,806)
		Long-term Liabilities		
(141,519)		Borrowing Repayable within a Period in Excess of 12 Months 25	(157,937)	
(74,809)		Other Long-term liabilities 26	(72,801)	
(1,190)		Provisions 27	(1,255)	
-		Capital Grant Receipts in Advance 28	(5,000)	
(94,441)		Other Long-term liabilities (Pensions) 29	(149,777)	
	(311,959)	Total Long-term Liabilities		(386,770)
	203,319	Total Assets less Liabilities		151,204

Balance Sheet



31 March 2016			Note	31 March 2017	
£'000	£'000			£'000	£'000
54,847	146,204	Unusable Reserves	30	56,033	92,755
194,492		- Revaluation Reserve		194,647	
(4,165)		- Capital Adjustment Account		(3,836)	
(94,441)		- Financial Instruments Adjustment Account		(149,777)	
(4,529)		- Pensions Reserve		(4,312)	
		- Accumulated Absences Account			
4,027	57,115	Usable Reserves	31	4,064	58,449
671		- Capital Funds		896	
52,417		- Repairs and Renewals Funds		53,489	
		- General Fund Balance			
	203,319	Total Reserves			151,204

The Balance Sheet is a snapshot of the value as at the 31 March 2017 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported as follows:

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

The Unaudited Annual Accounts were issued on 29 June 2017.

Kirsty Flanagan
Head of Strategic Finance
29 June 2017

Statement of Movement in Reserves

Movements in 2016-17	Usable Reserves (Note 31)				Unusable Reserves (Note 30)						
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(52,417)	(671)	(4,027)	(57,115)	(54,847)	(194,492)	94,441	4,165	4,529	(146,204)	(203,319)
(Surplus)/Deficit on Provision of Services	4,998			4,998						-	4,998
Other Comprehensive Income and Expenditure					(1,290)		48,407			47,117	47,117
Total Comprehensive Income and Expenditure	4,998	-	-	4,998	(1,290)	-	48,407	-	-	47,117	52,115
Adjustments between accounting basis and funding basis under regulations:											
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost				-	104	(104)				-	-
Amortisation of Intangible Assets				-		-				-	-
Depreciation of Non-current Assets	(23,261)			(23,261)		23,261				23,261	-
Impairment of Non-current Assets	(1,993)			(1,993)		1,993				1,993	-
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	11,375			11,375		(11,375)				(11,375)	-
Capital Expenditure Charged to the General Fund	229			229		(229)				(229)	-
Net Gain or Loss on Sale of Non-current Assets	(266)		(1,613)	(1,879)		1,879				1,879	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	329			329				(329)		(329)	-
Employee Benefits	217			217					(217)	(217)	-
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(6,929)			(6,929)			6,929			6,929	-

Statement of Movement in Reserves

Statutory Repayment of Debt - Loans Fund Advances	12,023			12,023		(12,023)				(12,023)	-
Statutory Repayment of Debt - NPDO Finance	1,935			1,935		(1,935)				(1,935)	-
Total Statutory Adjustments	(6,341)	-	(1,613)	(7,954)	104	1,467	6,929	(329)	(217)	7,954	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(1,343)	-	(1,613)	(2,956)	(1,186)	1,467	55,336	(329)	(217)	55,071	52,115
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	271	(225)	1,576	1,622		(1,622)				(1,622)	-
(Increase)/Decrease in Year	(1,072)	(225)	(37)	(1,334)	(1,186)	(155)	55,336	(329)	(217)	53,449	52,115
Balance at 31 March 2017 Carried Forward	(53,489)	(896)	(4,064)	(58,449)	(56,033)	(194,647)	149,777	3,836	4,312	(92,755)	(151,204)

This Statement shows the movement in the 2016-17 financial year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus)/Deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Statement of Movement in Reserves

Comparative Movements in 2015-16	Usable Reserves (Note 31)				Unusable Reserves (Note 30)					
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instrument Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	(46,067)	(669)	(3,742)	(50,478)	(55,224)	(209,599)	144,738	4,516	5,090	(110,479)
(Surplus)/Deficit on Provision of Services	19,425			19,425						-
Other Comprehensive Expenditure and Income					(578)		(61,209)			(61,787)
Total Comprehensive Expenditure and Income	19,425	-	-	19,425	(578)	-	(61,209)	-	-	(61,787)
Adjustments between accounting basis and funding basis under regulations:										
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than historic cost.				-	955	(955)				-
Amortisation of Intangible Assets	(118)			(118)		118				118
Depreciation and of Non-current Assets	(20,700)			(20,700)		20,700				20,700
Impairment of Non-current Assets	(25,006)			(25,006)		25,006				25,006
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure	16,922			16,922		(16,922)				(16,922)
Capital Expenditure Charged to the General Fund	743			743		(743)				(743)
Net Gain or Loss on Sale of Non-current Assets	(323)		(652)	(975)		975				975
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	351			351				(351)		(351)
Employee Benefits	561			561					(561)	(561)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(10,912)			(10,912)			10,912			10,912

Statement of Movement in Reserves

Statutory Repayment of Debt - Loans Fund Advances	10,792			10,792		(10,792)				(10,792)	-
Statutory Repayment of Debt - NPDO Finance	1,877			1,877		(1,877)				(1,877)	-
Total Statutory Adjustments	(25,813)	-	(652)	(26,465)	955	15,510	10,912	(351)	(561)	26,465	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(6,388)	-	(652)	(7,040)	377	15,510	(50,297)	(351)	(561)	(35,322)	(42,362)
<i>Other Transfers required by Statute</i>											
Transfer to/from Other Statutory Reserves	38	(2)	367	403		(403)				(403)	-
(Increase)/Decrease in Year	(6,350)	(2)	(285)	(6,637)	377	15,107	(50,297)	(351)	(561)	(35,725)	(42,362)
Balance at 31 March 2016 Carried Forward	(52,417)	(671)	(4,027)	(57,115)	(54,847)	(194,492)	94,441	4,165	4,529	(146,204)	(203,319)

This Statement shows the movement in the 2015-16 financial year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(Surplus)/Deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net (Increase)/Decrease before Transfers to Other Statutory Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Cash Flow Statement

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

2015-16 £'000		Note	2016-17 £'000
19,425	Net Deficit on the Provision of Services		4,998
(35,867)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(19,429)
4,640	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,777
(11,802)	Net Cash OutFlow from Operating Activities	37	(10,654)
9,799	Investing Activities	38	18,915
17,909	Financing Activities	39	(8,210)
15,906	Net Decrease in Cash and Cash Equivalents		51
(23,846)	Cash and Cash Equivalents at the beginning of the Reporting Period		(7,940)
(7,940)	Cash and Cash Equivalents at the end of the Reporting Period	23	(7,889)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2016-17 financial year and its position at the year-end of 31 March 2017. The Council must ensure that its Annual Accounts are prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made,

it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

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

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

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with loans fund principal charges.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance loans fund principal, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.6 Employee Benefits

1.6.1 Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.6.2 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the authority recognised costs for a restructuring.

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

1.6.3 Post-Employment Benefits

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

a) Teachers

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

b) Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on a “high quality corporate bond of equivalent term and currency to the liability” (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years)).
- The assets of the Strathclyde Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pension's liability is analysed into the following components:
 - Current service cost – the increase in liabilities as a result of years' service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Non Distributed Costs in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expenses for the Council – The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurements comprising

- The return on plan assets – Excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

1.6.4 Post Employment Discretionary Benefits

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

1.7 Events after the Reporting Period

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

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

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

1.8 Financial Liabilities

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

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

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

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

1.9 Financial Assets

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for the identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

1.10 Government Grants and Contributions

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

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

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

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

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

1.11 Heritage Assets

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

The Art Collections

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

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

Inveraray Jail and Courthouse and “Other” Historic Buildings

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

Archaeology and “Other” Museum Exhibits

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

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policies on impairment (see note 1.18.3 in this summary of significant accounting policies). The proceeds of any disposals are accounted for in accordance with the Council’s general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory requirements relating to capital expenditure and receipts (see note 1.18.4 in this summary of significant accounting policies).

1.12 Intangible Assets

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

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

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

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

1.13 Interests in Companies and Other Entities

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

1.14 Inventories

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

1.15 Investment Properties

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

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

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

1.16 Leases

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

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

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

1.16.1 The Council as Lessee

a) Finance Leases

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

Lease payments are apportioned between:

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

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

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

b) Operating Leases

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

1.16.2 The Council as Lessor

a) Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

b) Operating Leases

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

1.17 Overheads and Support Services

The costs of overheads and support services are not charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.18 Assets Held for Sale

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

- The property is available for immediate sale in its present condition.
- The sale must be highly probable; and an active programme to locate a buyer and complete the plan must have been initiated.

- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

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

1.19 Property, Plant and Equipment

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

1.19.1 Recognition

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

1.19.2 Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- School buildings – current value, but because of their specialist nature, are measured at depreciated cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the balance sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

1.19.3 Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement

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

1.19.4 Disposals and Non-current Assets Held for Sale

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

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

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

Disposal receipts are categorised as capital receipts. All capital receipts are credited to the Capital Fund, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.19.5 Depreciation

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

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

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

1.20 Private Finance Initiative (PFI) and Similar Contracts

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

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

Fixed assets recognised on the Balance Sheet are re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance Cost – this is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, this is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.21 Provisions, Contingent Liabilities and Contingent Assets

1.21.1 Provisions

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

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

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

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

1.21.2 Contingent Liabilities

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

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

1.21.3 Contingent Assets

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

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

1.22 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies above and Note 30 to the accounts.

1.23 VAT

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

1.23 ACCOUNTING FOR THE CARBON REDUCTION COMMITMENT SCHEME

The council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2017 for 2017/18).

For this disclosure there are no new standards, introduced by the 2017/18 Code, which will impact on the 2017/18 Financial Statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

Holiday Pay Accrual: Unused holiday entitlement earned at 31 March 2017 but not taken at that date has been quantified on the basis of a 5% sample of all non-term time Council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement as at 31 March and no estimation is required for these staff. The liability shown in the 2016-17 financial statements in respect of the holiday pay accrual is £4.312m.

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

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions															
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £2.4m for every year that useful lives had to be reduced.</p>															
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effects on the net pension's liability of changes in individual assumptions can be measured. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows:</p> <table border="1"> <thead> <tr> <th>Sensitivities at 31 March 2017</th><th>Approximate % Increase to Employer Obligation</th><th>Approximate monetary amount £'000</th></tr> </thead> <tbody> <tr> <td>0.5% decrease in real discount rate</td><td>10%</td><td>81,288</td></tr> <tr> <td>1 year increase in member life expectancy</td><td>3-5%</td><td>26,759 - 40,644</td></tr> <tr> <td>0.5% increase in salary increase rate</td><td>3%</td><td>26,759</td></tr> <tr> <td>0.5% increase in pension increase rate</td><td>7%</td><td>52,139</td></tr> </tbody> </table>	Sensitivities at 31 March 2017	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000	0.5% decrease in real discount rate	10%	81,288	1 year increase in member life expectancy	3-5%	26,759 - 40,644	0.5% increase in salary increase rate	3%	26,759	0.5% increase in pension increase rate	7%	52,139
Sensitivities at 31 March 2017	Approximate % Increase to Employer Obligation	Approximate monetary amount £'000															
0.5% decrease in real discount rate	10%	81,288															
1 year increase in member life expectancy	3-5%	26,759 - 40,644															
0.5% increase in salary increase rate	3%	26,759															
0.5% increase in pension increase rate	7%	52,139															

Arrears	At 31 March 2017, the Council had a balance of sundry debtors of £2.93m. A review of significant balances suggested an allowance of 23.9% (£0.703m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate an increase of the allowance by 10% would increase the bad debt provision required by £0.29m.
---------	---	---

5. TRANSFERS TO/FROM EARMARKED RESERVES

The Council has ring-fenced £41.519m of the balance on the General Fund as follows:

Ring-fenced Balances	Balance 1 April 2016 £'000	Funds Used £'000	Contributions to/from Funds £'000	New Earmarking agreed 2016-17 £'000	New Earmarking at end of 2016-17 £'000	Balance 31 March 2017 £'000
Revenue from Additional Council Tax on Second Homes (Strategic Housing Fund)	6,581	(2,359)	-	-	1,955	6,177
Unspent Grants	874	(575)	-	-	245	544
Contributions Carried Forward	277	(91)	-	-	105	291
Unspent Budget Carried Forward	7,079	(1,996)	(400)	172	2,865	7,720
School Budget Carry Forwards	1,209	(1,210)	-	-	1,034	1,033
Unspent Budget Required for Existing Legal Commitments	1,186	(144)	-	-	-	1,042
CHORD	96	-	-	-	144	240
Revenue Contribution to Capital (Dunoon and Campbeltown Schools)	2,805	-	-	-	-	2,805
Investment in Affordable Housing	5,000	-	-	-	-	5,000
Severance Costs	3,500	(1,179)	-	-	-	2,321
Helensburgh Waterfront	5,579	-	-	-	-	5,579
Argyll, Lomond and the Islands Regeneration Initiative	4,500	(47)	-	-	-	4,453
Asset Management	2,492	-	-	-	-	2,492
Energy Efficiency Fund	175	(82)	-	-	43	136
Transformation	100	(17)	-	-	-	83
Scottish Government Initiatives	-	(79)	410	-	343	674
Other	1,819	(835)	(56)	-	1	929
Total Ring-fenced	43,272	(8,614)	(46)	172	6,735	41,519
Contingency	4,743	-	(72)	-	-	4,671
Budget Smoothing in 2019-20	-	-	-	4,000	-	4,000
Unallocated	4,402	-	(1,103)	-	-	3,299
Total General Fund Balance	52,417	(8,614)	(1,221)	4,172	6,735	53,489

The contingency balance of £4.671m is 2% of the Council's budgeted net expenditure for 2017-18.

6. NET COST OF SERVICE ANALYSIS BASED ON SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is based in the Council's Management Structure, this is a new requirement under the 2016-17 Accounting Code of Practice. In previous year's the Comprehensive Income and Expenditure Account's Net Cost of Service analysis has been based on CIPFA's Service Reporting Code of Practice (SeRCOP). This note provides an additional analysis based on SeRCOP to aid comparability across previous accounting years.

2015-16			Service	2016-17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
130,339	7,198	123,141	Education Services	113,554	6,922	106,632
36,436	28,612	7,824	Housing Services (Non-HRA)	33,782	27,428	6,354
13,111	2,189	10,922	Cultural and Related Services	12,064	2,143	9,921
22,618	4,375	18,243	Environmental Services	23,724	4,724	19,000
24,726	6,712	18,014	Roads and Transport Services	25,391	6,850	18,541
8,092	4,691	3,401	Trading Services	8,716	5,637	3,079
11,626	5,288	6,338	Planning and Development Services	7,806	2,724	5,082
77,788	11,660	66,128	Social Work	80,191	17,378	62,813
			Central Services:			
5,199	146	5,053	- Corporate and Democratic Core	4,717	167	4,550
2,354	29	2,325	- Non Distributed Costs	1,985	4	1,981
2,987	1,249	1,738	- Central Services to the Public	2,989	1,299	1,690
335,276	72,149	263,127	Net Cost of Services	314,919	75,276	239,643

Notes to the Financial Statements

7. OTHER OPERATING INCOME AND EXPENDITURE

The expenditure of £1.339m shown in the Other Operating Income and Expenditure line on the Statement of Comprehensive Income and Expenditure can be analysed as follows:

Other Operating Income and Expenditure	2016-17 Actual £'000	2015-16 Actual £'000
Dunbartonshire and Argyll & Bute Valuation Joint Board Requisition	1,316	1,282
Equal Pay Settlements and Legal Costs	15	52
Other Operating Income and Expenditure not attributable to Services	8	39
Total	1,339	1,373

8. AGENCY INCOME

The Council have an on-going agency agreement with Scottish Water to collect domestic water and sewerage charges. During 2016-17 income from this agreement amounted to £0.309m.

Agency Income	2016-17 Actual £'000	2015-16 Actual £'000
Scottish Water	309	309
Total	309	309

The Council also acts as agent for the Scottish Government in the collection of non-domestic rate income. Further information on the collection of non-domestic rate income can be found on pages 118 to 119.

9. COMMUNITY CARE AND HEALTH (SCOTLAND) ACT 2002

From 1 April 2016 health and social care services were fully integrated as part of the new Health and Social Care Partnership.

During 2016-17 the Partnership included provision of services to older people, supporting people with a learning disability and provision of support to adults who have a mental health difficulty.

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

During 2016-17 income received by the Council from this source amounted to £6.495m and the related expenditure was £8.985m. This can be analysed as follows.

Purpose of Services	Income £'000	Expenditure £'000
Care of the Elderly	2,746	4,327
Provision of Services for People with Learning Disabilities	2,447	3,093
Provision of Services for People with Mental Health Needs	1,302	1,565
Total	6,495	8,985

Notes to the Financial Statements

10. WASTE MANAGEMENT PUBLIC PRIVATE PARTNERSHIP

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

The Council has paid a service charge of £5.042m (2015-16 £4.890m) which represents the value of the service provided from 1 April 2016 to 31 March 2017. Under the agreement the Council is committed to paying the following sums:

Future Repayment Periods	£'000
2017 - 2018	5,748
2018 - 2022	31,002
2022 - 2027	23,207
Total	59,957

This equates to £5.328m per annum over the life of the contract.

11. FEES PAYABLE TO AUDIT SCOTLAND

In 2016-17 the following fees relating to external audit and inspection were incurred:

Auditor's Remuneration	2016-17 £'000	2015-16 £'000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed Auditor	256	262
Total Remuneration	256	262

The fee for 2016-17 includes £3,300 for the audit of the Council's charitable trusts.

Notes to the Financial Statements

12. GRANT INCOME

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2016-17:

Grant Income	2016-17 £'000	2015-16 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	166,251	176,473
Non Domestic Rates	30,446	27,840
Specific Capital Grant	76	131
General Capital Grant	9,465	13,514
Coastal Communities Fund	600	-
SUSTRANS	-	109
Scottish Government - Regeneration Capital Grant Fund	300	675
Strathclyde Partnership for Transport (SPT)	171	527
Other Grants	746	1,810
Other Government Capital Grants	17	146
Total	208,072	221,225
Credited to Services		
Scottish Government Specific Grants	365	370
General Capital Grant - Private Sector Housing Improvement Grants	1,409	1,977
General Capital Grant - Economic Development	157	-
Housing Benefit Subsidy	22,983	23,280
Other Revenue Government Grants	1,569	1,372
Total	26,483	26,999

Notes to the Financial Statements

13. RELATED PARTIES

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

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

13.1 Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 12 – Grant Income on page 82.

13.2 Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016-17 is shown in the Remuneration Report on page 40.

During the year there were two organisations in which members had a significant interest and where the total of transactions exceeded £10,000.

Transactions in which Members have a significant interest	Expenditure £'000
Trident Taxis	17
MacDougall's Garage	33

Notes to the Financial Statements

13.3 Other Related Bodies

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

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

Related Bodies	Expenditure £'000
Transactions with related bodies during the year totalled	3,360
<i>Of these, transactions with the following exceeded £10,000:</i>	
Visit Scotland	111
Scotland Excel	73
Convention of Scottish Local Authorities (COSLA)	72
West Highland Housing Association Ltd	540
Argyll Community Housing Association (ACHA)	1,067
Link Group Ltd	60
Fyne Homes Ltd	216
Oban Addiction Support and Information Services (OASIS)	21
Argyll and Bute Citizens Advice Bureau	44
Kintyre Recycling	179
RE-JIG (Recycling)	15
Fyne Futures	147
SEEMIS	166
South Kintyre Development Trust	61
Islay and Jura Community Enterprise	94
Mid Argyll Community Enterprise	78
Oban and Lorn Community Enterprise - Atlantis Leisure	459
Total	3,403

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

Notes to the Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Movement in Property, Plant and Equipment

Movements in 2016-17	Other Land & Buildings £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2016-17 £'000
Cost or Valuation						
At 1 April 2016	277,214	263,226	1,870	2,821	15,486	592,134
Additions	12,826	5,805	397	-	6,256	27,092
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(6,006)	-	-	345	116	(5,545)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,734)	-	-	(17)	-	(4,751)
Derecognition - Disposals	(75)	-	-	-	(41)	(524)
Assets reclassified (to)/from Held for Sale	(326)	-	-	(238)	-	(564)
Other movements in cost or valuation	553	522	13	-	(2,987)	(323)
At 31 March 2017	279,452	269,553	2,280	2,911	18,830	607,519
Depreciation and Impairments						
At 1 April 2016	(18,729)	(62,062)	(2)	(4)	-	(101,627)
Depreciation Charge for 2016-17	(12,059)	(6,547)	-	(60)	-	(23,151)
Depreciation written out to the Revaluation Reserve	6,778	-	-	22	-	6,800
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	294	-	-	27	-	321
Derecognition - Disposals	-	-	-	-	-	374
Other movements in depreciation and impairment	112	-	(7)	11	-	116
At 31 March 2017	(23,604)	(68,609)	(9)	(4)	-	(117,167)
Balance Sheet amount at 1 April 2017	255,848	200,944	2,271	2,907	18,830	490,352
Balance Sheet amount at 1 April 2016	258,485	201,164	1,868	2,817	15,486	490,507

Notes to the Financial Statements

Comparative Movements in 2015-16	Other Land & Buildings £'000	Infra- structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total 2014-15 £'000
Cost or Valuation						
At 1 April 2015	299,883	245,190	1,671	4,228	30,223	610,019
Additions	4,716	5,017	199	49	14,390	27,446
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(8,181)	-	-	323	274	(7,584)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27,772)	(51)	-	221	-	(27,602)
Derecognition - Disposals	(724)	(4,983)	-	(312)	(2)	(6,657)
Assets reclassified (to)/from Held for Sale	9,292	-	-	(1,688)	-	7,604
Other movements in cost or valuation	-	18,053	-	-	(29,399)	(11,092)
At 31 March 2016	277,214	263,226	1,870	2,821	15,486	592,134
Depreciation and Impairments						
At 1 April 2015	(18,566)	(61,205)	(2)	(236)	-	(97,745)
Depreciation Charge for 2015-16	(11,330)	(5,789)	-	(119)	-	(20,956)
Depreciation written out to the Revaluation Reserve	-	-	-	186	-	186
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	3,302	-	-	1	-	3,303
Derecognition - Disposals	7,614	4,932	-	114	-	13,284
Other movements in depreciation and impairment	251	-	-	50	-	301
At 31 March 2016	(18,729)	(62,062)	(2)	(4)	-	(101,627)
Balance Sheet amount at 1 April 2016	258,485	201,164	1,868	2,817	15,486	490,507
Balance Sheet amount at 1 April 2015	281,317	183,985	1,669	3,992	30,223	512,274

Notes to the Financial Statements

14.2 Valuation of Property, Plant and Equipment

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

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

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured is re-valued at least every five years. Assets identified as Corporate Surplus Assets are valued in accordance with IFRS 13 - Fair Value Measurement. The Balance Sheet value of Corporate Surplus assets at 31 March 2017 was £2.907m. Corporate Surplus assets are valued at their fair value on 31 March each year. Level 3 inputs were used for most Corporate Surplus asset valuations.

Revaluations of council owned Land and Property were carried out at 31 March 2017 in accordance with the Council's rolling programme of revaluations. The revaluations have been carried out by external valuers, Ryden LLP. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The following table shows the progress of the Council's rolling programme for the revaluation of Other Land and Buildings:

Valued at Fair Value as at:	Other Land & Buildings £'000
31 March 2017	30,054
31 March 2016	49,179
31 March 2015	35,769
31 March 2014	34,676
31 March 2013	106,170
Total Cost or Valuation	255,848

Notes to the Financial Statements

14.3 Depreciation

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

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

14.4 Summary of Capital Expenditure and Financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future rates and council taxpayers. It is financed from borrowing, capital receipts and capital grants. The cost of the asset is effectively borne over a period of years. In 2016-17 total spending on capital projects was £27.406m.

	2016-17 £'000	2015-16 £'000
Opening Capital Financing Requirement	253,896	257,556
Capital Investment:		
Property Plant and Equipment:		
Other Land and Buildings	12,826	4,716
Vehicles, Plant, Furniture and Equipment	1,808	3,075
Infrastructure Assets	5,805	5,017
Community Assets	397	199
Surplus Assets	-	49
Assets Under construction	6,256	14,390
Heritage Assets	32	25
Intangible Assets	282	277
Total Capital Investment	27,406	27,748
Sources of Finance:		
Capital Receipts	(1,613)	(652)
Government Grants	(11,375)	(16,922)
Capital Financed from Current Revenue	(229)	(743)
Repayment of External Loans	(12,023)	(10,792)
Capital Element of Finance Lease Payments	-	-
Capital Element of Schools NPDO Payments	(1,935)	(1,877)
Capital Receipts transferred to Capital Fund	1,613	652
Capital Receipts Used from Capital Fund	(1,576)	(367)
Other	(254)	(707)
Total Funding	(27,392)	(31,408)
Closing Capital Financing Requirement	253,910	253,896

Notes to the Financial Statements

14.5 Commitments under Capital Contracts

At 31 March 2017, the Council had commitments on capital contracts of £15.012. This expenditure will be funded from a combination of government grants, borrowing and income from selling assets and contributions from Revenue Accounts. Similar commitments at 31 March 2016 were £11.458m. The major commitments are:

	£'000
Dunoon Queens Hall	9,602
Oban Maritime Visitor Facility	1,600
Oban Transit Berthing Facility	1,500
Rothesay Pavilion	675
Dunclutha House	520
Glengorm Wind Turbine	375
Riverside Leisure Facility	240
Helesnburgh Office Rationalisation	136
Tobermory Area Office	124
Lochgilphead Resource Centre	101
Mossfield Grass Pitch	89
Campbeltown Flood Scheme	50

15. HERITAGE ASSETS

The main heritage assets held by the Council are two art collections and Inveraray Jail and Courthouse. The Council holds other heritage assets which are not valued and shown on the balance sheet. Further details on the council's heritage assets policy can be found in note 1.11 on page 66.

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

	Art Collections	Heritage Property	Total
	£'000	£'000	£'000
Movements in 2016-17			
Cost or Valuation			
Net Book Value at 1 April 2016	1,316	223	1,539
Additions	-	32	32
Disposals	-	-	-
Revaluations	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-
Transfer from Assets Under Construction	-	100	100
At 31 March 2017	1,316	355	1,671

Notes to the Financial Statements

16. INTANGIBLE ASSETS

Intangible assets comprise software licences and carbon reduction commitment allowances purchased in advance. Purchased software licences are shown at cost and this cost is charged to the relevant service lines within the Comprehensive Income and Expenditure Statement over the economic life of the licences, assessed as five years.

The carbon reduction commitment allowances relate to allowances purchased in advance as part of the Carbon Reduction Energy Efficiency Scheme (Phase 2). These allowances will be surrendered in October of each year on the basis of emissions, i.e. carbon dioxide produced as energy is used.

The movement in intangible assets during the year was:

	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
Movements in 2016-17	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2016	242	1,277	1,519
Additions	282	-	282
Disposals	(242)	-	(242)
Reclassifications	-	222	222
At 31 March 2017	282	1,499	1,781
Depreciation and Impairments			
At 1 April 2016	-	(942)	(942)
Charge for 2016-17	-	(111)	(111)
Disposals	-	-	-
At 31 March 2017	-	(1,053)	(1,053)
Balance Sheet amount at 1 April 2017	282	446	728
Balance Sheet amount at 1 April 2016	242	335	577

Notes to the Financial Statements

Comparative Movements in 2015-16	Carbon Reduction Commitment Allowance	Purchased Software Licences	Total Intangible Assets
	£'000	£'000	£'000
Cost or Valuation			
At 1 April 2015	234	1,237	1,471
Additions	242	35	277
Disposals	(234)	-	(234)
Reclassifications	-	5	5
At 31 March 2016	242	1,277	1,519
Depreciation and Impairments			
At 1 April 2015	-	(824)	(824)
Charge for 2015-16	-	(118)	(118)
Disposals	-	-	-
At 31 March 2016	-	(942)	(942)
Balance Sheet amount at 1 April 2016	242	335	577
Balance Sheet amount at 1 April 2015	234	413	647

17. INVESTMENT PROPERTY

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

The value of investment property is initially measured at cost and thereafter measured at fair value. The fair value of investment property reflects market conditions at 31 March 2017. Revaluations of investment properties were carried out at 31 March 2017 by external valuers, Ryden LLP.

17.1 Movement in Investment Property

The movement in investment property during 2016-17 was:

Movements in 2016-17	Investment Properties £'000
Cost or Valuation	
At 1 April 2016	8,094
Acquisitions	-
Disposals	-
Net Gains/Losses from fair value adjustments	2,645
Transfers	282
At 31 March 2017	11,021

Notes to the Financial Statements

17.2 Investment Property Income and Expenditure

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

	2016-17 £'000	2015-16 £'000
Rental Income from Investment Property	214	220
Direct operating expenses arising from investment property	(101)	(89)
Net gain/(loss)	113	131

18. SCHOOLS NON-PROFIT DISTRIBUTING ORGANISATION (NPDO)

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

18.1 Assets Held under Schools NPDO Contract

Five schools were constructed under the Schools NPDO Contract; Hermitage Academy, Dunoon Grammar, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus. The construction costs of the buildings, adjusted for revaluations on 31 March 2013 and depreciation to date are included as part of Other Land and Buildings as follows:

Movements in 2016-17	Other Land & Buildings £'000
Cost or Valuation	
At 1 April 2016	93,206
Additions	361
Revaluations	-
At 31 March 2017	93,567
Depreciation and Impairments	
At 1 April 2016	(5,105)
Charge for 2016-17	(1,700)
Revaluations	-
At 31 March 2017	(6,805)
Balance Sheet amount at 1 April 2017	86,762
Balance Sheet amount at 1 April 2016	88,101

Notes to the Financial Statements

18.2 Schools NPDO Finance Lease Liability

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

Movements in 2016-17	£'000
Balance at 1 April 2016	(75,994)
Repayments	1,935
Schools NPDO Finance Lease Liability at 31 March 2017	(74,059)
Split:	
Obligations payable within 1 year	(2,008)
Obligations payable after 1 year	(72,051)
Schools NPDO Finance Lease Liability at 31 March 2017	(74,059)

18.3 Payments due to Operator under Schools NPDO Contract

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

Future Repayment Periods	Repayment of Liability £'000	Lifecycle Costs £'000	Payment of Interest £'000	Service Charges £'000	Total Payments £'000
2017 - 2020	6,392	-	21,896	15,081	43,369
2020 - 2025	14,888	922	31,847	27,888	75,545
2025 - 2030	22,156	2,819	23,135	31,977	80,087
2030 - 2035	30,622	3,102	9,800	32,958	76,482
Total	74,058	6,843	86,678	107,904	275,483

19. OPERATING LEASES

19.1 Operating Leases – Amounts Paid to Lessors

The Council uses land, buildings, vehicles, plant and equipment financed under the terms of an operating lease. The amounts paid under these arrangements in 2016-17 were as follows:

	2016-17 £'000	2015-16 £'000
Land and Buildings	198	198
Vehicles	367	195
Plant and Equipment	162	171
Total	727	564

19.2 Assets Held Under Operating Leases

The Council was committed at 31 March 2017 to making payments of £0.528m under operating leases comprising the following elements:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Leases expiring within 1 year	14	71
Leases expiring between 1 and 5 years	103	273
Leases expiring after 5 years	67	-
Value at 31 March 2017	184	344

Notes to the Financial Statements

20. LONG TERM DEBTORS

	31st March 2017 £'000	31st March 2016 £'000
House Loans	27	37
Waste PPP Historic Contamination Fund	750	750
Charging Orders - Care Home Fees	1,103	1,179
Strategic Housing Fund Loans to Registered Social Landlords	2,946	2,831
Other Long Term Debtors	100	100
Total Long Term Debtors	4,926	4,897

21. DEBTORS

	31 March 2017		31 March 2016	
	£'000	£'000	£'000	£'000
Arrears of Local Taxation Council Tax	14,563		13,970	
Less: Provision for Bad Debts	(12,002)		(11,383)	
		2,561		2,587
Housing Benefits Overpayments	1,192		1,266	
Less: Provision for Bad Debts	(1,030)		(1,027)	
		162		239
Debtor Accounts	2,930		2,834	
Less: Provision for Bad Debts	(703)		(684)	
		2,227		2,150
Net Debtor to Scottish Government for Non Domestic Rates		863		-
VAT Recoverable from HMRC		3,016		2,999
Strategic Housing Fund Loans due within 1 Year		584		1,005
Other Debtors		6,568		9,126
Total Debtors		15,981		18,106

Notes to the Financial Statements

22. ASSETS HELD FOR SALE

The movement in assets held for sale during 2016-17 was:

Movements	2016-17 £'000	2015-16 £'000
Balance outstanding at start of year	2,381	25
Assets newly classified as held for sale (Property, Plant and Equipment)	134	2,907
Revaluation losses	(45)	-
Revaluation gains	-	26
Impairment losses	-	(564)
Assets declassified as held for sale (Property, Plant and Equipment)	-	(13)
Assets Sold	(1,779)	-
Balance outstanding at year-end	691	2,381

23. CASH AND CASH EQUIVALENTS

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

	31 March 2017 £'000	31 March 2016 £'000
Cash held by the Authority	57	64
Cash in transit	125	254
Short term deposits with banks	1,722	688
Short term deposits in Money Market Funds	9,500	10,750
Bank Current Accounts (Overdraft)	(3,515)	(3,816)
Total Cash and Cash Equivalents	7,889	7,940

24. CREDITORS

	31 March 2017 £'000	31 March 2016 £'000
Accrued Payrolls and Superannuation	6,288	6,421
Accrued Employer's National Insurance Contributions and PAYE	2,397	2,149
Accrual for Short Term Accumulating Absences	4,312	4,529
Creditors System Liability	4,382	4,865
Accrued Expenditure	4,442	4,226
Other Creditors	8,294	9,725
Total Creditors	30,115	31,915

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS DISCLOSURES

25.1 Types of Financial Instruments

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

	31 March 2017		31 March 2016	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000
Investments and Lending				
Loans and Receivables	5,418	76,370	5,388	61,065
Borrowing				
Financial Liabilities at amortised cost	205,482	71,676	197,073	71,408

25.2 Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- Estimated interest rates at 31 March 2017 for loans from the PWLB were taken from the appropriate interest rate notice and for other loans receivable and payable from market rates obtained by our treasury advisors.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Lending				
Loans and Receivables	81,788	81,997	66,453	66,521
Borrowing				
Financial Liabilities	277,158	357,723	268,481	326,205

The fair value is greater than the carrying amount because the Council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above the current market rates increases the amount the Council would receive if it agreed the early repayment of loans.

Notes to the Financial Statements

25.3 Gains and Losses on Financial Instruments

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

25.4 Nature and Extent of Risks arising from Financial Instruments

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

25.5 Credit Risk

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

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

	Amount at 31 March 2017 £'000	Historical Experience of Non-payment adjusted for Market Conditions at 31 March 2017 %	Estimated Maximum Exposure to Default and Uncollectibility £'000
Deposits with Banks and Money Market Funds	28,722	-	-

The information in respect of the Council's debtors can be found in note 20 and 21 on page 94. The Debtor Accounts represents the amounts owed by the Council's customers; Other Debtors include prepaid expenditure, accrued income and money owed to the Council in respect of projects being carried out under partnerships where the Council is the lead partner. The bad debt provision shown in note 21 represents the Council's assessment of the likely recoverability of the debt outstanding.

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

25.6 Liquidity Risk

The Council's main source of borrowing is the Treasury's Public Works Loans Board (PWLb). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowings does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 30% of the loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

Notes to the Financial Statements

The maturity analysis of financial liabilities is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Maturity analysis of financial liabilities		
Less than one year	71,676	71,408
Between one and two years	14,460	31,872
Between two and five years	24,698	30,020
More than five years	166,324	135,181
	277,158	268,481

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

25.7 Market Risk

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

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

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

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

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

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

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

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher at 31 March 2017, with all other variables held constant:

	31 March 2017 £'000
Impact on tax-payer	
Increase on interest payable on variable rate borrowings	36
Increase in interest receivable on variable rate lending	-
Increases in government grant receivable for "loan charges"	-
Net effect on Statement of Comprehensive Income & Expenditure	36

Notes to the Financial Statements

	31 March 2017 £'000
Other accounting presentational changes	
A decrease in the "fair value" of fixed rate borrowing (disclosure confined to the notes to the financial statements)	43,188

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

25.8 Price Risk

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

25.9 Foreign Exchange Risk

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

25.10 Short-Term Deposits

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

	31 March 2017 £'000	31 March 2016 £'000
Banks and Money Market Funds	28,722	11,438

25.11 Soft Loans

There were no soft loans paid out during 2016-17 and there were no amounts outstanding at 31 March 2017 from previous year's soft loans advanced.

25.12 Short-Term Borrowing

The Common Good and the various Trust Funds administered by the Council had monies temporarily invested with the Council's loans fund during the year. The amounts at 31 March 2017 are shown in the table below. Further details of the nature and amounts of the funds of the Common Good and Trust Funds are shown in notes 34 and 35 on pages 110 to 111.

	31 March 2017 £'000	31 March 2016 £'000
Common Good	110	110
Trust Funds	728	695

Notes to the Financial Statements

26. OTHER LIABILITIES

Other liabilities consist of liabilities which by arrangement are payable at some point in the future or paid off by an annual sum over a period of time. Other liabilities total £74.809m as at 31 March 2017 and comprise the following:

Movements in 2016-17	Opening Balance 31 March 2016 £'000	Movement in Year £'000	Closing Balance 31 March 2017 £'000
Schools NPDO Finance Lease Liability (See note 18.2)	(75,994)	1,935	(74,059)
Land Contamination	(750)	-	(750)
Total Other Liabilities	(76,744)	1,935	(74,809)
Split:			
Short Term Liabilities (due within 1 year)			(2,008)
Long Term Liabilities (due after 1 year)			(72,801)
Total Other Liabilities			(74,809)

27. PROVISIONS

	Opening Balance 31 March 2016 £'000	Additional Provision £'000	Amounts Used £'000	Unused Amounts Reversed £'000	Closing Balance at 31 March 2017 £'000
Equal Pay Claims	(77)	-	70	-	(7)
Income due to Registered Social Landlords	(148)	-	13	-	(135)
Reorganisation Redundancy Costs	(81)	(44)	56	-	(69)
Service Choices Redundancy Costs	(937)	(207)	726	211	(207)
Landfill Sites - Restoration and Aftercare Costs	(1,042)	(78)	-	-	(1,120)
Utilities Provision	(510)	-	-	41	(469)
Other Provisions	(1,070)	(112)	49	67	(1,066)
Total Provisions	(3,865)	(441)	914	319	(3,073)
Split:					
Short Term Provisions (due within 1 year)					(1,818)
Long Term Provisions (due after 1 year)					(1,255)
Total Other Liabilities					(3,073)

A provision was created at the end of 2005-06 in relation to employees in catering, cleaning and home care services who had not accepted the Council's equal pay settlement. There may be further outstanding claims where the settlement amount cannot be estimated reliably enough to provide for the costs.

The Council reduced the discount on council tax from second homes to 10% during 2005-06. The additional council tax income invoiced during 2016-17 amounted to £1.858m; this amount is to be paid to registered social landlords to invest in social housing. A provision for cash not yet collected has been created amounting to £0.135m.

In line with expectations, liabilities have arisen in respect of employees who will be made redundant as a result of operational restructuring and Service Choices. The Council has significant budget savings to make over the next 5 years and there has been a complete service provision review, Service

Notes to the Financial Statements

Choices. As a result of Service Choices and other savings agreed as part of the budget process for 2017-18, a number of posts will be removed resulting in increased redundancy costs. In line with normal practice, the Council invited all employees to express an interest in voluntary redundancy and a number of employees have subsequently either taken or have been offered a redundancy package. For the employees who have confirmed acceptance of redundancy but have left or are leaving after 31 March 2017, a provision of £0.207m has been created during 2016-17. For further information refer to note 33 - Termination Benefits on page 110.

A provision for landfill sites was created in 2014-15 reflecting the Council's liability for restoration and ongoing maintenance in respect of landfill sites operated by the Council, at Glengorm, Gartbreck and Gott Bay. The landfill sites were revalued at 31 March 2017 and the provision for restoration and aftercare increased to £1.120m. These have been provided for based on the net present value of estimated future costs.

The utilities provision was created during 2011-12 to cover a potential liability in relation to discrepancies in charges for utility costs, £0.041m has been reversed during 2016-17 resulting in a total provision of £0.469m.

The "other" provisions includes funds to cover legal expenses in respect of recent court cases which the council will have to incur and also an amount in relation to the schools NPDO service charges which have been withheld from the operator. These amounts will require to be settled during 2017-18. Also included within "other" provisions is £0.253m for a potential liability the Council faces from the over claiming of VAT on staff mileage for the period 2012 to 2016 which will require to be repaid to HMRC.

28. CAPITAL GRANTS RECEIVED IN ADVANCE

	Opening Balance 31 March 2016 £'000	Capital Grants Received £'000	Amounts Used £'000	Closing Balance 31 March 2017 £'000
Ministry of Defence LIBOR Funding - Helensburgh & Grant in Aid - Gaelic School Capital Fund	-	(5,000)	-	(5,000)
	-	(584)	17	(567)
Total Other Liabilities		(5,584)	17	(5,567)
Split:				
Capital Grant Receipts in Advance (due within 1 year)				(567)
Capital Grant Receipts in Advance (due after 1 year)				(5,000)
Total Other Liabilities				(5,567)

The Chancellor of the Exchequer, in his Spring 2016 Budget, awarded Argyll and Bute Council LIBOR funding of £5m. The Ministry of Defence (MOD) are acting on behalf of Her Majesty's Treasury (HMT) with regard to all matters relating to this funding.

The purpose of the grant is to provide a contribution to the costs of the provision of the new Helensburgh Leisure Centre on condition that serving personnel and their families are offered favourable admission terms. This is because the LIBOR funds are to be used to recognise the contribution made by the Armed Forces Community to the nation.

Notes to the Financial Statements

29. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

Teachers

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

Local Government Pension Scheme

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts due by statute as described in the accounting policies note.

29.1 Accrued Pensions Contribution

Due to the timing of salary processing, not all employee and employer contributions have been paid to the pension schemes by the 31 March 2017. These payments have been accrued and are included within the creditors figure on the balance sheet. These have been paid during April 2017. The amounts are as follows:

- Local Government Pension Scheme – £1.311m
- Teachers' scheme – £0.738m

29.2 Transactions in Respect of the Local Government Pensions Scheme

The latest formal valuation of the Strathclyde Pension Fund for funding purposes was at 31 March 2014. The independent actuaries appointed by the Council are Hymans Robertson and they have assumed that employees have continued to earn new benefits on the same basis as the latest formal valuation and that the employer's pensionable payroll over the year to 31 March 2017 remains substantially stable with new entrants replacing any leavers.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

Notes to the Financial Statements

	2016-17 £'000	2015-16 £'000
Comprehensive Income and Expenditure Statement:		
Cost of Services:		
<i>Service cost comprising:</i>		
Current Service Cost	17,268	19,689
Past Service Cost (Including Curtailments)	782	398
Net Cost of Services	18,050	20,087
Net Interest Expense	3,367	4,730
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,417	24,817
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on Assets (excluding amounts included in net interest)	(101,991)	3,039
Other Experience	866	(8,403)
Change in Financial Assumptions	149,532	(55,845)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	69,824	(36,392)
Statement of Movement in Reserves:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,929)	(10,912)
Actual Amount charged against the General Fund Balance for pensions in the year:		
Employer's Contributions Payable to the Scheme	14,488	13,905

29.3 Assets and Liabilities in Relation to Post-Employment Benefits

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

	2016-17 £'000	2015-16 £'000
Defined Benefit Obligation at 1 April	612,214	651,859
Current Service Cost	17,268	19,689
Past Service Costs including Curtailments	782	398
Interest Cost	21,467	20,918
Contributions by Scheme Participants	3,786	3,812
Re-measurement Gains and (Losses)	150,398	(64,248)
Estimated Benefits Paid	(19,574)	(20,214)
Defined Benefit Obligation at 31 March	786,341	612,214

Notes to the Financial Statements

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

	2016-17 £'000	2015-16 £'000
Fair Value of Employer Assets at 1 April	517,773	507,121
Re-measurement Gains and (Losses):		
Expected Rate of Return on Pension Fund Assets	101,991	(3,039)
Actuarial Gains and Losses	-	-
Interest Income on Plan Assets	18,100	16,188
Employers Contributions	14,488	13,905
Contributions by Scheme Participants	3,786	3,812
Estimated Benefits Paid	(19,574)	(20,214)
Fair Value of Employer Assets at 31 March	636,564	517,773

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

29.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

	2016-17 £'000	2015-16 £'000
Local Government Pension Scheme		
Present Value of Funded Liabilities	(756,727)	(585,370)
Present Value of Unfunded Liabilities	(29,614)	(26,844)
Fair Value of Employer Assets	636,564	517,773
(Deficit) in the Scheme	(149,777)	(94,441)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits.

Notes to the Financial Statements

29.5 Analysis of Pension Fund's Assets

Argyll and Bute Council's share of the Pension Fund's assets at 31 March 2017 comprised:

	2016-17 £'000	2015-16 £'000
Cash and Cash Equivalents	23,976	17,842
Equity Instruments (by industry type)		
Consumer	60,206	48,561
Manufacturing	47,786	38,791
Energy and Utilities	18,918	15,256
Financial Institutions	44,299	35,726
Health and Care	25,891	20,888
Information Technology	36,616	29,562
Sub-total Equity Instruments	233,716	188,784
Bonds (by sector)		
Corporate	6	1
Government	-	-
Sub-total Bonds	6	1
Real Estate		
UK Property	76,781	55,624
Overseas Property	-	-
Sub-total Real Estate	76,781	55,624
Private Equity (All)	52,484	50,365
UK		
Investment Funds and Unit Trusts		
Equities	204,664	134,395
Bonds	35,740	63,194
Commodities	428	176
Infrastructure	-	-
Other	8,631	7,267
Sub-total Investment Funds and Unit Trusts	249,463	205,032
Derivatives		
Forward Foreign Exchange Contracts	85	-
Other	53	125
Sub-total Derivatives	138	125
Total Assets	636,564	517,773

Notes to the Financial Statements

Fair Value of Pension Fund Assets	2016-17 £'000	2015-16 £'000
Equity Securities		
Quoted in an Active Market	233,595	188,376
Not Quoted in an Active Market	121	408
Sub-total Equity Securities	233,716	188,784

29.6 Basis for Estimating Assets and Liabilities

The Council's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on the assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

Mortality assumptions	2016-17 Years	2015-16 Years
Longevity at 65 for current pensioners: Men	22.1	22.1
Women	23.6	23.6
Longevity at 65 for future pensioners: Men	24.8	24.8
Women	26.2	26.2
Financial Assumptions	2016-17 %	2015-16 %
Rate of Inflation (CPI)	2.4%	2.2%
Rate of Increase in Salaries	4.4%	4.2%
Rate of Increase in Pensions (CPI)	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%
Long-term Expected Rate of Return on Assets in the Fund	2016-17 %	2015-16 %
Equity Investments	2.6%	3.5%
Bonds	2.6%	3.5%
Property	2.6%	3.5%
Cash	2.6%	3.5%

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

29.7 Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range.

Notes to the Financial Statements

29.8 Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2017-2018.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £12.032m. This is based on an assumed pensionable payroll of £62.341m.

The assumed weighted average duration of the defined benefit obligation for the Council falls into the "Medium" duration category which is between 17 and 23 years (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

29.9 Teachers Pensions – Administered By Scottish Public Pensions Agency

Teachers employed by the Authority are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency. The Scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified by the regulations.

The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four yearly valuation was undertaken as at 31 March 2012. The next valuation was at 31 March 2016 and this has set contribution rates from 1 April 2019.

The Authority has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Authority is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 September 2015 was 17.2% of pensionable pay. While the employee rate applied is variable it provides an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers' contribution rate.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ended 31 March 2017, the Authority's own contributions equate to 1.49%

	2016-17	2015-16
Amount Paid Over (£'000)	5,729	5,353
Rate of Contribution (%)	17.20%	17.20%
Amount of Added Years Awarded by the Council (£'000)	528	526

The contributions due to be paid to the Teacher's Scheme by Argyll and Bute Council in the next financial year are estimated to be £5.759m.

Notes to the Financial Statements

30. UNUSABLE RESERVES

Movements in the Authority's unusable reserves are detailed in the Statement of Movement in Reserves on pages 56 to 57.

30.1 Revaluation Reserve

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

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

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

30.2 Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

30.3 Financial Instruments Adjustment Account

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

30.4 Pensions Reserve

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

Notes to the Financial Statements

30.5 Accumulated Absences Account

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

31. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Statement of Movement in Reserves on pages 56 to 57.

31.1 Capital Funds

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

Usable Capital Receipts Reserve

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

Capital Fund

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

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

Movements in 2016-17	Usable Capital Receipts Reserve £'000	Capital Fund £'000	Total Capital Funds £'000
Balance at 1 April 2016	2,776	1,251	4,027
Proceeds of Disposals	-	1,613	1,613
Transfer to Capital Adjustment Account	-	(1,622)	(1,622)
Contribution to Capital Fund From Revenue	-	36	36
Interest Earned	6	4	10
Balance at 31 March 2017	2,782	1,282	4,064

31.2 Repairs and Renewals Fund

The movement in the Education Repairs and Renewals Fund is as follows:

Movements in 2016-17	Balance at 31 March 2016 £'000	Contribution from Revenue £'000	Interest Earned £'000	Contribution to Revenue £'000	Balance at 31 March 2017 £'000
Education	671	334	2	(111)	896
Total	671	334	2	(111)	896

Notes to the Financial Statements

32. CONTINGENT LIABILITIES

The Council settled a number of equal pay claims during 2016-17, however there are a small number remaining where the outcome of the applications are unknown and there is insufficient information to allow the potential cost of these claims to be provided for. There is also the potential for other equal pay claims whose costs may be met by the Council.

In a recent legal case, the European Court of Justice ruled that if a worker's remuneration includes contractual commission; their holiday pay must also take account of that commission. All pay elements such as overtime, standby/emergency call outs and commission should be included in the calculation of holiday pay. At this stage the extent of the Council's potential liability is unknown.

The Limitation (Childhood Abuse) (Scotland) Bill is before the Scottish Parliament and if enacted will remove the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. At this stage the extent of the Council's potential liability is unknown.

There are other legal challenges which are on-going and may result in future liabilities.

33. TERMINATION BENEFITS

A number of savings options as a result of service reviews and other savings have been agreed at Council budget meetings to balance the Council budget. A number of these savings options were reliant on a reduction in the Councils staffing levels. The Council had forewarning of the level of savings required to balance the budget and had previously asked all Council employees to express an interest in voluntary redundancy. As a result of the budget savings options approved by the Council a number of employees have had their redundancy application accepted.

Redundancy costs as part of the programme of service reviews have been incurred by the Council since the 2010-11 financial year in relation to the budget savings agreed. In each year provision was made within the financial year for the costs of all employees who had accepted redundancy as at 31 March ending that year, including accounting for costs for employees who confirmed redundancy by 31 March but left or were leaving after this date. The total cost accounted for in 2015-16 was £1.215m for 84 employees and in 2016-17 was £1.033m for 59 employees. These costs are detailed further in the Remuneration Report on pages 48 to 49.

Therefore termination costs for all Council employees who have accepted redundancy by 31 March 2016 have been accounted for in 2016-17, or in previous financial years.

The reduction in the staffing establishment includes posts from all services across the Council and reductions were in line with the service review and other savings agreed by the Council. There are likely to be further redundancy costs incurred as the Council is required to make further savings to balance the budget in future years.

34. TRUST FUNDS AND OTHER THIRD PARTY FUNDS

The Council acts as sole or custodian trustee for 57 trust funds. The funds do not represent assets of the Council, and as such have not been included in the Balance Sheet.

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

	Income £'000	Expenditure £'000	Net Assets £'000	Reserves £'000
Argyll Education Trust	13	3	482	482
GM Duncan Trust	-	3	81	81
MacDougall Trust	24	-	724	724
Various Other Trust Funds	4	1	507	507
Total Trust Funds	41	7	1,794	1,794

Notes to the Financial Statements

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

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

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

35. COMMON GOOD FUNDS

The Council administers the Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan. The figures below summarise the aggregate income and expenditure for the year as well as providing a snapshot picture of the assets and liabilities at 31 March 2017. The Common Good Funds are for the benefit of the geographical areas of the former burghs. Further information on the Common Good Funds can be obtained from Strategic Finance within the Chief Executive's Unit.

35.1 Common Good Income and Expenditure Account for the year ended 31 March 2017

2015-16 Actual £'000		2016-17 Actual £'000
202	Expenditure	207
(287)	Income	(84)
(85)	(Surplus)/Deficit for the Year	123

35.2 Common Good Balance Sheet at 31 March 2017

2015-16 Actual £'000		2016-17 Actual £'000
4,017	Tangible Fixed Assets	3,882
2,006	Investments	2,307
175	Current Assets	194
(4)	Current Liabilities	(12)
6,194	Total Assets less Liabilities	6,371
4,022	Revaluation Reserve	3,888
2,172	Common Good Fund	2,483
6,194	Total Net Worth	6,371

Notes to the Financial Statements

36. Tax Incremental Financing (TIF) Projects

The council entered into an agreement with the Scottish Government in May 2014 in respect of the Lorn Arc Tax Incremental Finance (TIF) scheme. This agreement essentially allows for the repayment of debt arising from infrastructure investment from incremental Non-Domestic Rates (NDR) revenue. The assets to be funded by the TIF project largely comprise public realm and infrastructure improvements within the Lorn Arc area of Oban. The project is for 25 years, with the first material capital investment incurred during the financial year ending 31 March 2015.

During the TIF project period, the council is entitled to retain the TIF revenue from its NDR revenue, a pro-rate amount of NDR equal to the amount (if any) by which the collected amount exceeds the collectable amount. The council is required to apply 100% of the TIF revenue towards repayment of the TIF debt. Following repayment in full, and until the end of the project period, the council is entitled to retain 50% of the TIF revenue for further infrastructure investment.

Net capital expenditure incurred in the year to 31 March 2017, to be funded from borrowing, in respect of TIF assets totalled £0.724m. This is reflected in the "Summary of Capital Expenditure and Financing" outlined within note 14.4 on page 89. The total TIF debt to be repaid over the project period, in respect of investment to 31 March 2017, has been calculated in accordance with finance circular No. 4/2014 at £1.035million.

Notes to the Financial Statements

37. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

	2016-17 £'000	2015-16 £'000
Net (Surplus)/Deficit on Provision of Services	4,998	19,425
Adjustments to Net (Surplus)/Deficit on the Provision of Service for Non Cash Movements:		
Statutory Adjustments through Statement of Movement in Reserves	(6,341)	(25,813)
Transfer to/from Other Statutory Reserves	271	38
Increase/(Decrease) in Inventories	(26)	221
Increase/(Decrease) in Debtors	(2,670)	605
(Increase)/Decrease in Creditors and Provisions	2,146	1,437
Other Revenue Adjustments	(12,809)	(12,355)
	(19,429)	(35,867)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities:		
Non Cash Capital	5,712	6,517
Capital Element of Finance Lease Payments	(1,935)	(1,877)
	3,777	4,640
Net Cash Flows from Operating Activities	(10,654)	(11,802)
The cash flows for Operating Activities include the following items:		
Interest Paid on Borrowings	8,973	8,656
Interest Paid on Finance Leases	7,697	7,903
Interest Received on Bank Deposits	(571)	(534)
Net Cash Outflow from Servicing of Finance	16,099	16,025

38. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for Investing Activities include the following items:

	2016-17 £'000	2015-16 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible and Heritage Assets	20,294	21,082
Investments made/(disposed of) during year	17,481	5,510
Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(1,613)	(652)
Other Receipts from Investing Activities	(17,247)	(16,141)
Net Cash Outflow from Investing Activities	18,915	9,799

Notes to the Financial Statements

39. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for Financing Activities include the following items:

	2016-17 £'000	2015-16 £'000
Cash Receipts of Short and Long Term Borrowing	(28,502)	(16,541)
Other Receipts from Financing Activities	2,267	744
Cash Payments for the Reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	1,935	1,877
Repayments of Short and Long Term Borrowing	16,090	31,829
Other Payments from Financing Activities	-	-
Net Cash (Inflow)/Outflow from Financing Activities	(8,210)	17,909

Council Tax Income Account

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

2015-16 Actual £'000		2016-17 Actual £'000
54,498	Gross Council Tax Levied and Contributions in Lieu excluding RSL Second Home Additional Income	54,804
1,892	Add Back: RSL Second Home Discount Additional Income	1,858
(12,377)	Less: Other Discounts and Reductions	(12,003)
(934)	Provision for Bad and Doubtful Debts	(1,055)
43,079	Total	43,604
294	Adjustment to Previous Years' Community Charge and Council Tax	447
43,373	Transfers to General Fund	44,051

Notes to the Council Tax Income Account

1. CALCULATION OF THE COUNCIL TAX

Dwellings are valued by the Assessor and placed within a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base, Band D equivalent as below. This value is then decreased or increased dependent upon the band of the dwelling. The charge for each band for 2016-17 was as follows:

Band	Valuation Band	% Band D	£ per year
A	Up to £27,000	67%	785.33
B	£27,001 - £35,000	78%	916.22
C	£35,001 - £45,000	89%	1,047.11
D	£45,001 - £58,000	100%	1,178.00
E	£58,001 - £80,000	122%	1,439.78
F	£80,001 - £106,000	144%	1,701.56
G	£106,001 - £212,000	167%	1,963.33
H	Over £212,000	200%	2,356.00

2. CALCULATION OF THE COUNCIL TAX BASE 2016-17

Council Tax Base	A	B	C	D	E	F	G	H	Total
Total Number of Properties	7,674	9,986	9,453	6,044	7,390	4,113	2,809	243	47,712
Less - Exemptions / Deductions	1,064	822	1,095	535	618	251	172	49	4,606
- Adjustment for Single Chargepayers	857	1,032	740	429	439	202	114	6	3,819
Effective Number of Properties	5,753	8,132	7,618	5,080	6,333	3,660	2,523	188	39,287
Band D Equivalent Factor (ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalent Number of Properties	3,836	6,325	6,772	5,080	7,740	5,287	4,205	376	39,621
Add Contribution in lieu in respect of Class 18 dwellings (Band D Equivalent)									505
Nominal Tax Yield									40,126
Less Provision for Non-Collection	-	1.40%							561
Council Tax Base 2016-17 - Number of Band D equivalents									39,565

Non Domestic Rate Income Account

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

2015-16 Actual £'000		2016-17 Actual £'000
42,309	Gross rates levied and Contributions in Lieu	42,248
	Less:	
(10,877)	Reliefs and other deductions	(11,137)
-	Payment of Interest	-
(241)	Provision for Bad and Doubtful Debts	(242)
31,191	Net Non-Domestic Rate Income	30,869
-	Tax Incremental Finance (TIF) Scheme NDR Income Retained	-
(3,351)	Contribution (to)/from national non-domestic rate pool	(423)
27,840	Transfers to General Fund	30,446

Notes to the Non Domestic Rate Income Account



1. ANALYSIS OF RATEABLE VALUES

	2016-17 £	2015-16 £
Industrial and freight transport subjects	8,735,000	7,677,100
Miscellaneous including Telecomms, Rail, Gas and Electricity Companies	70,346,799	58,701,043
Commercial subjects:		
Shops	14,315,325	13,418,530
Offices	5,995,360	5,577,590
Hotels, Boarding Houses etc.	8,521,950	6,599,075
Others	1,982,280	1,993,560
Total Rateable Value	109,896,714	93,966,898

2. NON-DOMESTIC RATE CHARGE

	2016-17 Pence	2015-16 Pence
Rate Per Pound	48.4p	48.0p
Supplementary Rate Per Pound for Properties over £35,000	2.6p	1.3p

3. CALCULATION OF RATE CHARGE FOR EACH PROPERTY

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

Group Accounts - Introduction

INTRODUCTION

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17: Based on International Financial Reporting Standards, places a requirement on Councils to consider all their interests in external organisations including limited companies and other statutory bodies. Where the interest is considered to be material, the Council is required to prepare a full set of group accounts in addition to those prepared for Argyll and Bute Council. The Group Accounts are designed to show “a true and fair view” of the financial performance and position of the Council’s Group.

THE GROUP ACCOUNTS

The Group Accounts comprise the following financial statements:

- **Group Statement of Comprehensive Income and Expenditure:** this statement shows the accounting cost in the year of providing the Council’s services and its share of the results of its associates in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the Statement of Movement in Reserves on pages 56 to 57.
- **Group Balance Sheet:** The Balance sheet is a snapshot of the value at the 31 March 2017 of the assets and liabilities recognised by the Council and its share of the net assets or liabilities of its associates and Common Good funds. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).
- **Group Statement of Movement in Reserves:** this statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its associates. The Common Good reserves are also fully consolidated into the Group Accounts. The Council’s reserves are analysed into those which are “Usable Reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council’s share of the reserves of Associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation). The Council’s Statement of Movement in Reserves on pages 56 to 57 gives a more detailed analysis of the movement in the Council’s usable and unusable reserves during 2016-17.

Group Statement of Comprehensive Income and Expenditure

2015-16			Service	2016-17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,489	137	2,352	Chief Executive and Strategic Finance	2,268	127	2,141
121,924	8,764	113,160	Community Services	104,274	9,492	94,782
88,431	41,080	47,351	Customer Services	84,235	41,091	43,144
78,946	39,813	39,133	Development and Infrastructure Services	78,532	38,818	39,714
72,161	11,491	60,670	Health and Social Care Integration	75,793	16,401	59,392
678	21	657	Other Non-Departmental Costs	1,761	1,087	674
2,824	2,795	29	Associates Accounted for on an Equity Basis	3,170	3,300	(130)
367,453	104,101	263,352	Net Cost of Services	350,033	110,316	239,717
		323	Other Operating Income and Expenditure:			266
		1,373	Net (Gain)/loss on Disposal of Fixed Assets			1,339
		1,696	Other Operating Income and Expenditure			1,605
			Total Other Operating Income and Expenditure			
			Financing and Investment Income and Expenditure:			
		17,000	Interest Payable and Similar charges			16,133
		(2,801)	Interest and Investment Income			(4,008)
		4,730	Net Pension Interest Expense			3,367
		18,929	Total Financing and Investment Income and Expenditure			15,492
			Taxation and Non-Specific Grant Income:			
		(176,473)	General Government Grants			(166,251)
		(16,922)	Government Capital Grants and Other Capital Contributions			(11,375)
		(27,840)	Non-domestic Rates Redistribution			(30,446)
		(43,373)	Council Tax Income			(44,051)
		(264,608)	Total Taxation and Non-Specific Grant Income			(252,123)
		19,369	(Surplus)/Deficit on Provision of Services			4,691
		(578)	(Surplus)/Deficit on revaluation of Fixed Assets			(1,290)
		(61,209)	Other Post Employment Benefits (Pensions)			48,407
		(950)	Share of Other Comprehensive Income and Expenditure of Associates and Common Good Funds			1,536
		(62,737)	Other Comprehensive Income and Expenditure			48,653
		(43,368)	Total Comprehensive Income and Expenditure			53,344

Group Balance Sheet



31 March 2016			31 March 2017	
£'000	£'000		£'000	£'000
		Long Term Assets		
		Property Plant & Equipment		
258,485		- Other Land and Buildings	255,848	
10,687		- Vehicles, Plant, Furniture and Equipment	9,552	
201,164		- Infrastructure Assets	200,944	
5,885		- Community Assets	6,155	
2,817		- Surplus Assets	2,907	
15,486		- Assets Under Construction	18,830	
	494,524	Total Property Plant & Equipment		494,236
	1,539	Heritage Assets		1,671
	577	Intangible Assets		728
	8,094	Investment Property		11,021
	4,897	Long-Term Debtors		4,926
	2,497	Long-Term Investments		2,798
	2,973	Investment in Associates		3,114
	515,101	Total Long Term Assets		518,494
		Current Assets		
555		Inventories	529	
18,155		Short Term Debtors (Net of Impairment)	15,993	
2,381		Assets Held for Sale	691	
35,019		Short Term Investments	52,500	
7,991		Cash and Cash Equivalents	7,960	
	64,101	Total Current Assets		77,673
		Current Liabilities		
(18,232)		Short-term Borrowing	(14,188)	
(31,915)		Short-term Creditors	(30,127)	
-		Capital Grant Receipts in Advance	(567)	
(2,675)		Provisions	(1,818)	
(1,935)		Other Short Term Liabilities	(2,008)	
	(54,757)	Total Current Liabilities		(48,708)
		Long-term Liabilities		
(141,519)		Borrowing Repayable within a Period in Excess of 12 Months	(157,937)	
(74,809)		Other Long-term liabilities	(72,801)	
(1,190)		Provisions	(1,255)	
-		Capital Grant Receipts in Advance	(5,000)	
(94,441)		Other Long-term liabilities (Pensions)	(149,777)	
(1,384)		Liabilities in Associates	(2,931)	
	(313,343)	Total Long-term Liabilities		(389,701)
	211,102	Total Assets less Liabilities		157,758

Group Balance Sheet



31 March 2015			31 March 2017	
£'000	£'000		£'000	£'000
54,847		Unusable Reserves	56,033	
194,492		- Revaluation Reserve	194,647	
(4,165)		- Capital Adjustment Account	(3,836)	
(94,441)		- Financial Instruments Adjustment Account	(149,777)	
(4,529)		- Pensions Reserve	(4,312)	
		- Accumulated Absences Account		
	146,204			92,755
		Usable Reserves		
4,027		- Capital Funds	4,064	
671		- Repairs and Renewals Funds	896	
52,417		- General Fund Balance	53,489	
	57,115			58,449
	1,589	Group Reserves		183
	6,194	Common Good Reserves		6,371
	211,102	Total Reserves		157,758

The Unaudited Annual Accounts were issued on 29 June 2017.

Kirsty Flanagan
Head of Strategic Finance
29 June 2017

Group Statement of Movement in Reserves

Movements in 2016-17	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council			
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves					
Balance at 31 March 2016	(52,417)	(671)	(4,027)	(57,115)	(146,204)	(203,319)	(1,589)	(6,194)	(211,102)
Surplus/(Deficit) on Provision of Services	4,998	-	-	4,998	-	4,998	(130)	(177)	4,691
Other Comprehensive Income and Expenditure	-	-	-	-	47,117	47,117	1,536	0	48,653
Total Comprehensive Income and Expenditure	4,998	-	-	4,998	47,117	52,115	1,406	(177)	53,344
Total Statutory Adjustments (See Page 56 to 57)	(6,341)	-	(1,613)	(7,954)	7,954	-	-	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(1,343)	-	(1,613)	(2,956)	55,071	52,115	1,406	(177)	53,344
Other Transfers required by Statute									
Transfer to/from Other Statutory Reserves	271	(225)	1,576	1,622	(1,622)	-	-	-	-
(Increase)/Decrease in Year	(1,072)	(225)	(37)	(1,334)	53,449	52,115	1,406	(177)	53,344
Balance at 31 March 2017 Carried Forward	(53,489)	(896)	(4,064)	(58,449)	(92,755)	(151,204)	(183)	(6,371)	(157,758)

Group Statement of Movement in Reserves

Comparative Movements in 2015-16	Argyll and Bute Council						Council's Share of Reserves of Associates	Total Common Good Reserves	Total Reserves
	Usable Reserves				Total Unusable Reserves	Total Reserves of the Council			
	General Fund Balance	Repairs and Renewals Fund	Capital Funds	Total Usable Reserves					
	£'000	£'000	£'000	£'000					
Balance at 31 March 2015	(46,067)	(669)	(3,742)	(50,478)	(110,479)	(160,957)	(314)	(6,463)	(167,734)
Surplus/(Deficit) on Provision of Services	19,425	-	-	19,425	-	19,425	29	(85)	19,369
Other Comprehensive Expenditure and Income	-	-	-	-	(61,787)	(61,787)	(1,304)	354	(62,737)
Total Comprehensive Expenditure and Income	19,425	0	0	19,425	(61,787)	(42,362)	(1,275)	269	(43,368)
Total Statutory Adjustments (See Page 58 to 59)	(25,813)	-	(652)	(26,465)	26,465	-	-	-	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(6,388)	-	(652)	(7,040)	(35,322)	(42,362)	(1,275)	269	(43,368)
Other Transfers required by Statute									
Transfer to/from Other Statutory Reserves	38	(2)	367	403	(403)	-	-	-	-
(Increase)/Decrease in Year	(6,350)	(2)	(285)	(6,637)	(35,725)	(42,362)	(1,275)	269	(43,368)
Balance at 31 March 2016 Carried Forward	(52,417)	(671)	(4,027)	(57,115)	(146,204)	(203,319)	(1,589)	(6,194)	(211,102)

Notes to the Group Financial Statements

1. GROUP ACCOUNTING POLICIES

The group accounts are prepared in accordance with the policies set out in Note 1 to the Financial Statements on pages 61 to 74.

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

2. COMBINING ENTITIES

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

The Associates which have been incorporated are:

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

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

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

The accounting period for all entities is 31 March 2017.

3. NON MATERIAL INTEREST IN OTHER ENTITIES

The Council has an interest in Scotland Excel. Scotland Excel took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. Renfrewshire Council prepare the financial statements for Scotland Excel in its role as lead authority. Scotland Excel is a not-for-profit organisation funded mainly by the 28 participating Scottish local authorities. Argyll and Bute Council contributed £0.073m towards Scotland Excel in the 2016-17 financial year.

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

The Argyll and Bute Integration Joint Board was established as a body corporate by order of Scottish Ministers on 27 June 2015. The partnership between Argyll and Bute Council and NHS Highland has been established in accordance with the provisions of the Public Bodies (Joint Working)(Scotland) Act 2014 and associated Regulations. The Integration Joint Board has responsibility for all health and social care functions relating to adults and children and will oversee the Strategic Planning and budgeting of these, together with corresponding service delivery for the residents of Argyll and Bute. Argyll and Bute Council contributed £60.787m towards the Argyll and Bute Integration Joint Board in the 2016-17 financial year. All transactions are accounted for and shown within the single entity statements and therefore there is no material impact on the group accounts.

Notes to the Group Financial Statements

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

4. NATURE OF COMBINATION

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

5. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £6.554m. This gives an overall net asset position for the Group of £157.758m.

All associates have prepared their accounts on a 'going concern' basis. For Strathclyde Passenger Transport Authority and the Joint Valuation Board funding arrangements between the Scottish Government and constituent authorities remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue.

6. FURTHER DETAILS ON CONSOLIDATION

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

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a Joint Committee of all Councils in the West of Scotland plus Dumfries and Galloway Council. In association with the related Structure Planning Committees, the Partnership's remit included the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Joint Transport Strategy. The Council contributed £0.606m or 1.62% of the Board's estimated net running costs during 2016-17 and accounted for £2.003m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Board

This body comprises the 12 local authorities within the West of Scotland which oversees the operations of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by a combination of funding from the 12 constituent councils and direct grant funding from the Scottish Government. During 2016-17 the Council contributed £0.176m or 4.14% of the net annual running costs and accounted for £0.07m of the Balance Sheet Assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Consort House, 12 West George Street, Glasgow G2 1HN.

Dunbartonshire and Argyll and Bute Valuation Joint Board

This body was formed in October 1995 at local government reorganisation by a Statutory Instrument and is responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils. The Board's running costs are met by the three Councils. During 2016-17 Argyll and Bute Council contributed £1.316m

Notes to the Group Financial Statements

towards estimated running costs and accounted for £2.931m of Balance Sheet Liabilities within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Dunbartonshire and Argyll and Bute Valuation Joint Board, Council Offices, Garshake Road, Dumbarton G82 3PU.

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

	2016/17 £'m	2015/16 £'m
Argyll and Bute Council has a 48.1% share of:		
Gross Income	2.758	2.832
Net (Surplus)/Deficit	0.460	0.416
Long Term Assets	0.664	0.752
Current Assets	0.597	0.727
Liabilities due within one year	(0.100)	(0.120)
Liabilities due over one year	-	-
Pension Liability	(7.254)	(4.236)
Capital and Revenue Reserves	(6.093)	(2.877)

7. REPORTING AUTHORITY ADJUSTMENTS

A number of adjustments are required to the Council's Statement of Comprehensive Income and Expenditure (pages 52 to 53) for group accounting purposes. These can be summarised as follows:

- All intra-group transactions have been removed from the Group Accounts as part of the subsidiary consolidation process.
- The Common Good Funds described in note 35 of the Notes to the Financial Statements on page 111 have been fully consolidated into the Group Accounts. This adjustment increases the net assets and reserves of Argyll and Bute Council's Group by £6.371m.

8. GROUP CASH FLOW STATEMENT

The impact of the incorporation of the associates has no effect upon the Cash Flow statement for Argyll and Bute Council on page 60. Only the Common Good transactions would have an impact. However, this impact is not material enough for a separate Group Cash Flow Statement to be prepared.

Existing Use Value. The market value of a particular Council property, less the difference between the average rental income between public and private sector properties.

Expected Rate of Return on Pension Assets. The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value. This is the price at which an asset could be exchanged in an arm's length transaction less any grants receivable towards the purchase or use of the asset.

Financial Asset. A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

Financial Instrument. Any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another.

Financial Instruments Adjustment Account. This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

Financial Liability. An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

Financial Reporting Standard (FRS). Financial Reporting Standards are issued by the Accounting Standard Board and define proper accounting practice for a given transaction or event.

Fixed Assets. Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Gains/losses on settlements and curtailments. The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is charged or credited to Non Distributed costs in the Comprehensive Income and Expenditure Statement.

General Fund Balance. This contains the net surplus on the provision of Council services combined with any balances from previous years and any contributions to other funds or reserves made during the year.

Group Accounts. The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. The Council's shares of the assets and liabilities of these other entities are shown in the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Group Balance Sheet.

Government Grants. Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the authority.

Heritage Assets. Assets which are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations and are held by the Council of the maintenance of heritage.

International Accounting Standards (IAS). International Accounting Standards are issued by the International Accounting Standards Board and define proper accounting practice for a given transaction or event. IAS's take precedence over other accounting standards in the hierarchy of technical accounting standards.

International Public Sector Accounting Standards (IPSAS), a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Impairment. A reduction in the value of fixed or financial asset below the valuation held on the balance sheet.

Infrastructure Assets. Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets. Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

Interest Cost (Pensions). The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories. Inventories may comprise the following: goods or other assets purchased for re-sale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances; and finished goods.

Liquid Resources. Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded on the active market.

Materiality. Information is included where the information is of such significance as to justify its inclusion, and omission or misstatement could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

National Non-Domestic Rates Pool. All non-domestic rates collected by local authorities are remitted to the national pool and, thereafter, distributed to Councils by the Scottish Government.

Net Book Value. The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

Net Realisable Value. The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

Non-Current Assets. Non-current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

Non-operational assets. Are assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Officers' Remuneration. All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

Operating Leases. A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

Operating Assets. All items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Past Service Costs (Pensions). The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pensions Reserve. The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

Prior Period Adjustments. Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Public Private Partnerships (PPP). Those partnerships enable the council to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the building or refurbishment of the assets.

Residual Value. The net realisable value of an asset at the end of its useful life.

Related Party Transactions. A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

Renewal and Repairs fund. This contains funds credited at the Council's discretion from the General Fund and is available for use on capital or revenue expenditure on council assets.

Revaluation Reserve. Records unrealised gains arising since 1 April 2007 from holding fixed assets not yet realised through sales.

Service Expenditure Analysis (SEA). An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

Specific Government Grants. These are grants received from Central Government in respect of a specific purpose or service.

Unusable Reserves. Those reserves which hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences.

Usable Reserve. Those reserves which the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Useful Life. The period over which the local authority will derive benefits from the use of a fixed asset.

This page is intentionally left blank



Summary Accounts—2016-17

This provides a summary of some of the key issues from the 2016-17 Annual Accounts. It provides information on the Comprehensive Income and Expenditure Statement, the Balance Sheet, Reserves, Cash Flow Statement and also provides a comment on plans for the future.

Comprehensive Income and Expenditure Statement

The comprehensive income and expenditure statement shows the accounting cost of providing services rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

	Actual 2016-17 £m	Actual 2015-16 £m	Actual Variance Year on Year £m
Net cost of services	239.6	263.1	(23.5)
Other operating income and expenditure	1.6	1.7	(0.1)
Finance and investment income and expenditure	15.9	19.2	(3.3)
Total expenditure	257.1	284.0	(26.9)
Taxation and non specific grants			
General Government Grants	(166.3)	(176.5)	10.2
Government Capital Grants and other capital contributions	(11.4)	(16.9)	5.5
Non Domestic Rates Redistribution	(30.4)	(27.8)	(2.6)
Council Tax Income	(44.1)	(43.4)	(0.7)
(Surplus)/deficit on provision of services	5.0	19.4	(14.4)

The net cost of service provision for 2016-17 was £239.6m with total expenditure of £257.1m which was offset by taxation and non-specific grants totalling £252.1m. This left a deficit on the provision of service of £5.0m.

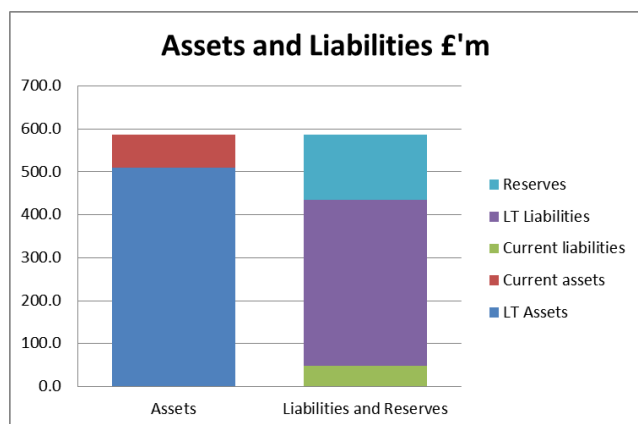
Total expenditure decreased by £26.9m from 2015-16. Expenditure on services decreased by £23.5m and other operating income and expenditure decreased by £0.1m. There was a decrease in interest and investment income of £3.3m.

Reconciliation of Comprehensive Income and Expenditure Statement to Budgetary Outturn

	£'m	£'m
Deficit on Provision of Services		5.0
Remove statutory adjustments that don't feature in budget outturn:		
Depreciation	(23.3)	
Impairments of Asset charged to services	(2.0)	
Capital Funding	11.4	
Pension Adjustment	(6.9)	
Statutory Repayment of Debt	14.0	
Transfers to/from Other Statutory Reserves	0.3	
Other Adjustments	0.5	
		(6.1)
Movement In General Fund Balance		(1.1)
Adjust for earmarkings:		
Released sums earmarked to service budgets 2016-17	(8.6)	
Supplementary estimates agreed during 2016-17	(0.1)	
2016-17 budget rounding surplus paid back to General Fund	0.0	
Contributions to earmarked reserves 2016-17	6.9	
		(1.8)
Revenue Budget Outturn - Surplus		(2.9)

The table sets out a reconciliation of the (Surplus)/Deficit on the provision of the services noted within the Comprehensive Income and Expenditure Statement to the revenue budget under-spend for 2016-17 of £2.9m.

Balance Sheet—our assets and liabilities

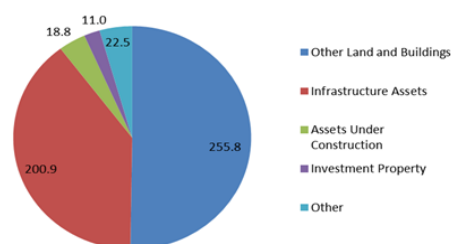


The balance sheet shows the value of the assets and liabilities recognised by the council as at 31 March 2017. Net assets (assets less liabilities) are matched by the reserves held by the council.

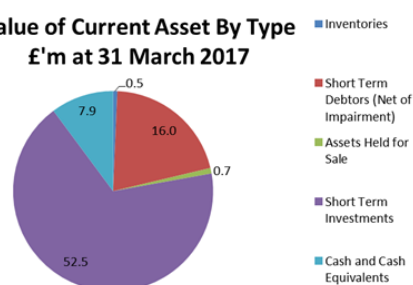
The net assets of the council decreased by £52.1m from £203.3m at 31 March 2016 to £151.2m at 31 March 2017.

Summary of Balance Sheet	31 March 2017 £'m
Long term assets -includes property, plant and equipment as well as other intangible assets. There has been an increase of £3.1m from £506.1m at 31 March 2016. The main reason for the increase is due to an increase in investment property	509.2
Current assets - includes stock, short term debtors, assets held for sale, short term investments and cash. There has been a increase of £13.6m from £64.0m at 31 March 2016 mainly as a result of higher level of short term investments held.	77.6
Current liabilities -includes short term borrowing, creditors, provisions and other short term liabilities. There has been a decrease of £6.0m from £54.8m at 31 March 2016 mainly as a result of repayment of external debt which had a life of less than one year.	(48.8)
Long term liabilities - Not due for payment for at least 12 months and comprise borrowing, payments due under the NPDO, provisions and pensions liability. There has been a increase of £74.8m from £312.0 at 31 March 2016 mainly as a result of pension liability.	(386.8)
Total reserves	151.2

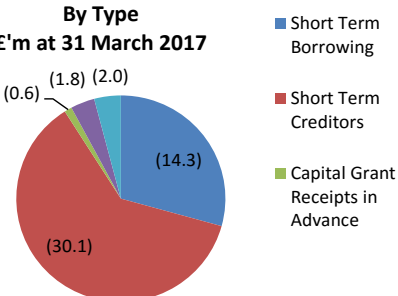
**Value of Long Term Asset By Type
£'m at 31 March 2017**



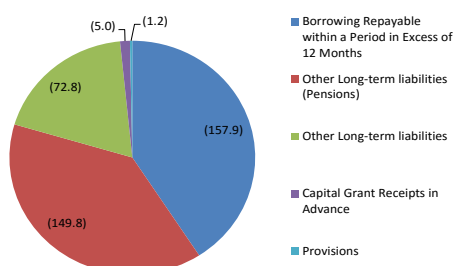
**Value of Current Asset By Type
£'m at 31 March 2017**



**Value of Current Liabilities
By Type
£'m at 31 March 2017**



**Type and Value of Long-Term Liabilities
£'m at 31 March 2017**



Reserves

Reserves can be usable or unusable:

Usable reserves:

- Backed by actual resources
- Can be applied to fund expenditure or reduce local taxation

Unusable reserves:

- Required purely for accounting purposes
- Do not represent resources available for the council to use

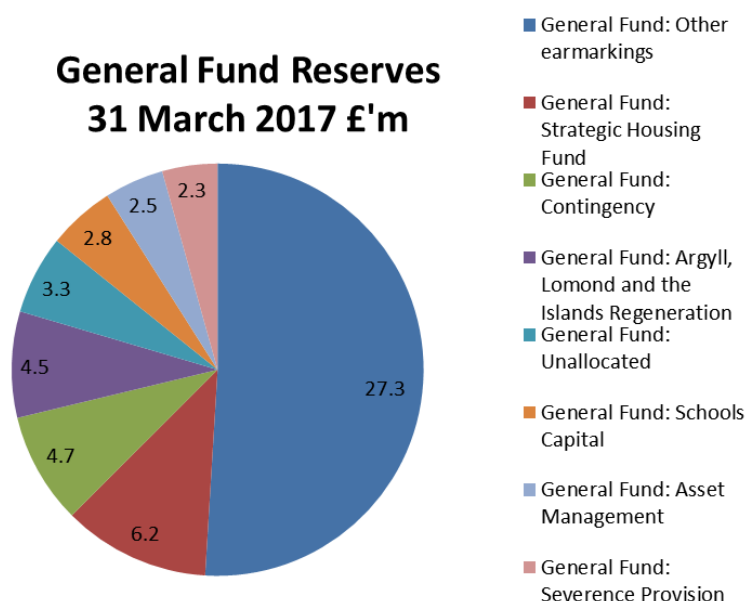
The council has total reserves of £151.2m, but most of these (£92.8m) are unusable reserves which are purely for accounting purposes and do not represent resources available for use. The usable reserves were £58.4m at 31 March 2017, the main element being the General Fund Balance of £53.5m.

	31 March 2017 £'m	31 March 2016 £m
Unusable reserves	92.8	146.2
Useable reserves		
Capital fund	4.1	4.0
Renewal and repairs fund	0.9	0.7
General Fund: Other earmarkings	27.3	23.4
General Fund: Strategic Housing Fund	6.2	6.6
General Fund: Contingency	4.7	4.7
General Fund: Argyll, Lomond and the Islands Regeneration	4.5	4.5
General Fund: Unallocated	3.3	4.4
General Fund: Schools Capital	2.8	2.8
General Fund: Asset Management	2.5	2.5
General Fund: Severence Provision	2.3	3.5
Total reserves	151.2	203.3

Unusable reserves have decreased by £53.4m from £146.2m at 31 March 2016 to £92.8m at 31 March 2017 mainly due to an increase in the pension fund reserve which matches the pension liability.

Useable reserves have increased by £1.3m from £57.1 at 31 March 2016 to £58.4m at 31 March 2017, mainly due to an increase to the General Fund Balance of £1.1m in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.

**General Fund Reserves
31 March 2017 £'m**



Cashflow

The cashflow statement shows the changes in cash and cash equivalents of the Council during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating , investing and financing activities.

	31 March 2017	31 March 2016	Movement	
	£'m	£'m	£'m	
Net Cashflows from Operating Activities	(10.7)	(11.8)	(1.1)	Expenditure being funded from taxation and grant income has increased by £1.7m
Investing Activities	18.9	9.8	(9.1)	Cash outflows for investments have Increased by £9.1m
Financing Activities	(8.2)	17.9	26.1	Cash outflow of £17.9m in 2015-16 and cash inflow of £8.2m in 2016-17 - replacement of short and long term borrowing during the year

Operating Activities is an indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided.

Investing Activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Financing Activities cashflows are useful for predicting claims on future cash flows by providers of capital (i.e. borrowing).

Plans for the Future

The Council agreed a number of service choices savings as part of the 2016-17 budget within some of the service choices savings being deliverable from 2017-18 or beyond. This budget created a solid foundation to work from and for the 2017-18 budget most of the savings required to balance the budget had already been agreed in February 2016. Efficiency savings for 2017-18 were also agreed in October 2016, in advance of the budget setting and this also reduced the budget gap. Despite only receiving a one year settlement for Scottish Government, the Council agreed a revenue budget for 2017-18 and two year indicative budgets for 2018-19 and 2019-20. The Council also agreed updates to the capital plan covering the period to 2019-20.

The Council has recognised the need to develop a medium to longer term financial strategy which will set out a plan to demonstrate how the council will respond to the demands and pressures whilst ensuring that there is a sustainable council that meets the needs of its communities and one that can take advantage of opportunities that arise. At the budget meeting in February 2017, the Council agreed a set of principles that support the longer term sustainability of the Council and the financial strategy will be developed during 2017.

In November 2016, the Council approved the business case for the creation of a Charitable Trust to deliver leisure and library services in Argyll and Bute and it is anticipated that the Leisure Trust will be operational from October 2017. The Council is committed to driving forward change through transformation and innovation and a Transformation Board has now been established to take forward further transformational change. Their main focus is delivering change to improve service delivery and to help balance the budget in 2018-19 and beyond and they have a number of work streams that are being taken forward.

The full set of annual accounts is available on our website at:

http://www.argyll-bute.gov.uk/sites/default/files/unaudited_annual_accounts_2016-2017.pdf

The Council also produces an Annual Report which provides residents with further detail on how the money has been spent. The Annual Report for 2016-17 will be produced later this year, however, the 2015-16 Annual Report is available on the following web-link:

https://www.argyll-bute.gov.uk/sites/default/files/council_annual_report_2015-16_-_final_2.pdf



ARGYLL AND BUTE COUNCIL**COUNCIL****STRATEGIC FINANCE****29 JUNE 2017**

REVENUE BUDGET MONITORING – FOR THE YEAR 2016-17

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to advise Members of the revenue budget position of the Council as at the end of financial year 2016-17. The report also summarises the movement in the General Fund balance.
- 1.2 The performance against budget for financial year 2016-17 was an overall underspend of £2.883m (1.16%).
- 1.3 There was a net underspend of £1.038m in relation to departmental expenditure and a net underspend of £1.066m in relation to other central/non-departmental costs. The remainder of the underspend of £0.779m is in relation to funding and the over-recovery of Council Tax income. Included within the overall underspend are a number of budget underspends which are likely to be one-off in nature or have been adjusted for in the 2017/18 budget process.
- 1.4 The General Fund Balance has moved from £52.417m at the end of financial year 2015-16 to £53.489m at the end of 2016-17. The movement represents an increase of £1.072m which is due to the contributions to and from earmarked reserves and the favourable year-end underspend position.
- 1.5 There is a separate report that details the earmarked reserves; it outlines proposals to earmark a total of £41.519m from the General Fund balance, leaving £11.970m unallocated. Of this £4.671m is required to be held as the General Fund contingency, leaving a balance of £7.299m. Of this balance, the Council agreed that £4m would be used towards budget smoothing within the year 2019/20. This therefore leaves an unallocated balance of £3.299m.

ARGYLL AND BUTE COUNCIL

COUNCIL

STRATEGIC FINANCE

29 JUNE 2017

REVENUE BUDGET MONITORING – FOR THE YEAR 2016-17

2. INTRODUCTION

- 2.1 This report summarises the revenue budget position of the Council as at the end of the financial year 2016-17. The overall revenue budget monitoring statement for the Council is attached as Appendix 1 and departmental outturn summaries are attached as Appendix 2.

3. RECOMMENDATION

- 3.1 Members to consider the revenue budget monitoring position as at the end of financial year 2016-17.
- 3.2 Members to note that the unallocated balance within the General Fund as at 31 March 2017, after taking into the account the contingency and the agreed smoothing for 2019/20, amounts to £3.299m.

4. DETAIL**4.1 Final Outturn Variance (Un-audited)**

- 4.1.1 The performance against budget for the financial year 2016-17 was an overall underspend of £2.883m (1.16%). A summary of the final outturn position is noted within the table below:

Final Outturn Variance (Un-audited)				
2016-17				
Department	Actuals	Budget Adjusted for Earmarkings	Variance (Overspend) Underspend	% age
Chief Executive's Unit	2,041,862	2,042,081	219	0.01%
Community Services	83,754,642	83,770,735	16,093	0.02%
Customer Services	38,280,640	39,167,488	886,848	2.26%
Development and Infrastructure Services	29,010,729	29,145,987	135,258	0.46%
Total Departmental Expenditure	153,087,873	154,126,291	1,038,418	0.67%
Integration Services	56,206,876	56,206,876	0	0.00%
Joint Boards	1,388,546	1,374,371	(14,175)	(1.03%)
Loans Charges	19,578,599	20,623,139	1,044,540	5.07%
Pension Costs	2,977,369	2,977,369	0	0.00%
Other	6,436,693	6,471,877	35,184	0.54%
Total Non-Departmental Expenditure	86,588,083	87,653,632	1,065,549	1.22%
Total Expenditure	239,675,956	241,779,923	2,103,967	0.87%
Total Funding	249,465,684	248,687,036	778,648	0.31%
UNDERSPEND			2,882,615	

- 4.1.2 The year-end underspend was largely expected and planned for during the year. For example, additional savings were generated during the year as a consequence of deliberate decisions not to fill posts which became vacant during the year and had been identified for removal as Service Choices savings during 2017/18.

4.2 Departmental Budget Outturn

- 4.2.1 The performance against budget shows departmental controllable expenditure being £1.038m (0.67%) under budget. Included in this outturn position is an adjustment to update the 2016-17 budget to reflect the new amounts earmarked by departments at the year-end, these new earmarkings total £3.159m.
- 4.2.2 The main reasons giving rise to the departmental underspend of £1.038m are noted below and further detail is provided within the departmental outturn reports in Appendix 2.
- Substantial vacancy savings were delivered by the Customer Services and Development and Infrastructure Services Departments. Some of these savings were made due to diligent management of any vacancies which arose in advance of future service choices savings. The sum of £0.249m has also been added to the vacancy savings target for future years as part of the 2017/18 budget process. Both of these reasons are likely to reduce the level of over recovery in future.
 - NPDO costs were lower than expected due to insurance and utility cost savings arising as a result of the annual renegotiation of insurance costs, part of the contract management arrangements which are in place, and lower than expected energy prices.

4.3 Central/Non-Departmental Budget Outturn

- 4.3.1 The performance against budget for central/non-departmental expenditure was a net underspend of £1.066m. Included in this outturn position is an adjustment to update the 2016-17 budget to reflect the new amounts earmarked at the year-end, these new earmarkings total £1.793m.
- 4.3.2 Joint Board payments were £0.014m (1.03%) above budget.
- 4.3.3 The spend on services transferred to the Argyll and Bute Integrated Joint Board were overspent by £0.224m however this was mitigated by additional funding transferred from the Integrated Joint Board via NHS Highland at the end of the year.
- 4.3.4 The Council is required to meet the cost of severance as a result of posts being removed as a result of Service Choices. The costs are accounted for when the Council is demonstrably committed to make the payments, regardless of the timing of the savings being removed from budgets. All redundancy or retirement packages agreed by 31 March 2017 have been accounted for in the 2016-17 outturn, even if the employee is planned to leave in a future year. The Council made a provision of £3.500m for severance costs as part of its budget in February 2016 and the majority of this overspend will be the first call on this provision. A total of £1.179m was drawdown from the provision during 2016/17.

- 4.3.5 Loans charges were £1.045m (5.07%) below budget. The Treasury Management function continually reviews borrowing requirements and due to large internal balances borrowing decisions have been intentionally deferred resulting in savings on interest payments. Loan charges are budgeted in line with the capital financing requirement and will be impacted by any delays in capital projects or changes in legislation. The budget for Loans Charges was reviewed as part of the 2017/18 budget process.

4.4 Funding Budget Outturn

- 4.4.1 The performance against budget for Funding was a net underspend/over-recovery of income of £0.779m. Included in this outturn position is an adjustment to update the 2016-17 budget to reflect the new amounts earmarked at the year-end, these new earmarkings total £1.955m and relate solely to the Strategic Housing Fund.
- 4.4.2 There is a year-end favourable position in relation to Council Tax of £0.783m where collections have exceeded the budget. This is due to better than expected collection of sums outstanding for previous years by sheriff officers due to enhanced contract management activity, an increase in the amount of tax generated for empty second homes, increased penalty income and higher than expected growth in the tax base.

4.5 Impact on the General Fund

- 4.5.1 The movement in the General Fund balance is different to the underspend as noted above as it also takes into consideration the earmarked reserve withdrawals and contributions. The General Fund balance at 31 March 2016 was £52.417m and has increased to £53.489m as at 31 March 2017, representing an increase of £1.072m.
- 4.5.2 There were £8.614m of earmarked reserves released to services and spent during 2016-17 and a supplementary estimate of £0.110m paid to the Integrated Joint Board to meet the increased cost of funding the Scottish Living Wage across Adult Social Care. The contributions to earmarked reserves amount to £6.913m, including a small rounding surplus from the 2016/17 budget of £0.006m. As noted above the overall underspend amounts to £2.883m for the year. All these factors contribute to the increase in the General Fund balance as summarised within the table below:

	£m
Balance on General Fund 31 March 2016	52.417
Released sums earmarked to service budgets 2016-17	(8.614)
Supplementary Estimates agreed during 2016-17	(0.110)
2016/17 budget rounding surplus paid back to the General Fund	0.006
Contributions to earmarked reserves 2016-17	6.907
Overall budget underspend as above	2.883
Balance on General Fund 31 March 2017	53.489

- 4.5.3 The closing balance on the General Fund as at 31 March 2016 is £53.489m. Of this, £41.519m is earmarked for specific purposes and £4.671m is required to be held as the General Fund contingency, leaving a balance of £7.299m. Of this balance, the Council agreed that £4m would be used towards budget smoothing within the year 2019/20. This therefore leaves an unallocated balance of £3.299m, as shown below:

	£m
Balance on General Fund 31 March 2017	53.489
Earmarked Balances at 31 March 2017 (as per Earmarked Reserves report)	(41.519)
Contingency Balance 2.0% of net expenditure	(4.671)
Budget smoothing during 2019/20	(4.000)
Unallocated balance as at 31 March 2017	3.299

5. CONCLUSION

- 5.1 The performance against budget for financial year 2016-17 was an overall underspend of £2.883m (1.16%). The General Fund balance has increased by £1.072m which reflects the contributions to and from earmarked reserves and the favourable year-end underspend position.

6. IMPLICATIONS

- | | | |
|-----|--------------------|---|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | None. |
| 6.3 | Legal - | Report notes the underspend against budget during 2016-17 and the movement in the General Fund balance. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | None. |
| 6.7 | Customer Service - | None. |

Kirsty Flanagan
Head of Strategic Finance
30 May 2017

Councillor Gary Mulvaney, Depute Council Leader - Policy Lead Strategic Finance and Capital Regeneration Projects

APPENDICES

- Appendix 1 - Overall Revenue Budget Monitoring Statement 2016-17
- Appendix 2 - Departmental 2016-17 Outturn Summaries

ARGYLL AND BUTE COUNCIL - SUMMARY OF ACTUAL AND BUDGET COMPARISON 2016-17

Appendix 1

Department	Actual 2016-17	Budget 2016-17	Adjustment for Funds Earmarked in General Fund Reserve										Adjusted Budget 2016-17	"Real Variance" (Over)/unders pend
			Income from council tax on 2nd homes	Unspent Grant monies carried forward to 2017- 18	Third Party Contributions carried forward to 2017-18	CHORD	DMR School Carry Forwards	Previous Council Decision	Energy Reinvestment Fund	Existing Legal Commitments	Scottish Government Initiatives carried forward to 2017/18	NEW Unspent Budget Proposals		
Expenditure	£	£	£	£	£	£	£	£	£	£			£	£
Chief Executive's Unit	2,041,862	2,075,581										33,500	2,042,081	219
Community Services	83,754,642	85,492,032		122,853	105,152		1,033,909	1,375			343,008	115,000	83,770,735	16,093
Customer Services	38,280,640	40,227,865		121,677				172,000				766,700	39,167,488	886,848
Development and Infrastructure Services	29,010,729	29,489,786				143,799						200,000	29,145,987	135,258
Total Departmental Expenditure	153,087,873	157,285,264	0	244,530	105,152	143,799	1,033,909	173,375	0	0	343,008	1,115,200	154,126,291	1,038,418
Integration Services	56,206,876	56,206,876											56,206,876	0
Joint Boards	1,388,546	1,374,371											1,374,371	(14,175)
Loans Charges	19,578,599	20,623,139											20,623,139	1,044,540
Severance and Unfunded Pension Costs	2,977,369	2,977,369											2,977,369	0
Other	6,436,693	8,265,241							43,364			1,750,000	6,471,877	35,184
Total Non-Departmental Expenditure	86,588,083	89,446,996	0	0	0	0	0	0	43,364	0	0	1,750,000	87,653,632	1,065,549
Total Expenditure	239,675,956	246,732,260	0	244,530	105,152	143,799	1,033,909	173,375	43,364	0	343,008	2,865,200	241,779,923	2,103,967
Funding														
AEF & NDR Income	196,697,000	196,700,887											196,700,887	(3,887)
Council Tax	44,051,311	41,314,000	1,954,776										43,268,776	782,535
Budgeted/withdrawn from Earmarked Reserves	8,613,686	8,613,686											8,613,686	0
Supplementary Estimates Approved	110,000	110,000											110,000	0
Small rounding surplus when 2016/17 budget agreed	-6,313	-6,313											-6,313	0
Total Funding	249,465,684	246,732,260	1,954,776	0	0	0	0	0	0	0	0	0	248,687,036	778,648
Under/(Overspend)	9,789,728	0	1,954,776	244,530	105,152	143,799	1,033,909	173,375	43,364	0	343,008	2,865,200	6,907,113	2,882,615

REVENUE BUDGET MONITORING 2016-17 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2016-17	Budget 2016-17	Funds Carried Forward to 2017-18							Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Unspent Budget Proposals				
Chief Executive's Unit	Chief Executive	285,898	285,530								285,530	(368)	(0.13%)	Outwith reporting criteria
Chief Executive's Unit	Head of Strategic Finance	1,755,964	1,790,051							33,500	1,756,551	588	0.03%	Outwith reporting criteria
Chief Executive's Unit Total		2,041,862	2,075,581	0	0	0	0	0	0	33,500	2,042,081	220	0.01%	

REVENUE BUDGET MONITORING 2016-17 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2016-17	Budget 2016-17	Funds Carried Forward to 2017-18							Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Unspent Budget Proposals				
Community Services	Executive Director of Community Services	309,874	308,966								308,966	(908)	(0.29%)	Outwith reporting criteria
Community Services	Head of Community and Culture	11,147,097	11,358,420	49,934	41,152			1,375		115,000	11,150,959	3,862	0.04%	Outwith reporting criteria
Community Services	Head of Education	72,297,671	73,824,646	72,919	64,000		1,033,909		343,008		72,310,810	13,139	0.02%	Outwith reporting criteria
Community Services Total		83,754,642	85,492,032	122,853	105,152	0	1,033,909	1,375	343,008	115,000	83,770,735	16,093	0.02%	

REVENUE BUDGET MONITORING 2016-17 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2016-17	Budget 2016-17	Funds Carried Forward to 2017-18							Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Unspent Budget Proposals				
Customer Services	Executive Director of Customer Services	12,933,083	14,151,376							400,000	13,751,376	818,293	5.95%	The underspend arises mainly as a result of lower than expected insurance and utility costs in the schools NPDO budget and the over delivery of vacancy savings.
Customer Services	Head of Customer and Support Services	8,310,762	8,552,570	104,520				172,000		80,000	8,196,050	(114,711)	(1.40%)	The underspend, before the adjustment for earmarking, arises due to better than expected recovery of debt by sheriff officers, surplus grant funds due to the late payment of funds and the early delivery of savings planned for 2017/18. The funds earmarked relate to Digital Transformation, WSUS Servers, Replacement of IR5 System, Benefit Admin grant carry forward and Council Tax Reduction Scheme grant carry forward.
Customer Services	Head of Facility Services	11,777,769	12,156,398							270,000	11,886,398	108,629	0.91%	The underspend arises due to delays in the Catering Innovation Project which reduced the year 1 costs and lower than expected spend on school transport due to reduced contract and fuel costs. These underspends are partially offset by an non-recurring overspend on Surplus Properties. The funds earmarked relate to funding asbestos management work over the next 3 years.
Customer Services	Head of Governance and Law	2,082,250	2,062,894								2,062,894	(19,356)	(0.94%)	Outwith reporting criteria
Customer Services	Head of Improvement and HR	3,176,776	3,304,626	17,157						16,700	3,270,769	93,993	2.87%	The underspend arises due to lower than expected cost of running training courses due to delayed training and/or candidates withdrawing/missing from courses. The funds earmarked relate to the carry forward of unused grant awarded at the end of 2016/17 and improvements to the Council's training facilities in support of the Council's Digital First and Growing Our Own initiatives.
Customer Services Total		38,280,640	40,227,865	121,677	0	0	0	172,000	0	766,700	39,167,488	886,848	2.26%	

REVENUE BUDGET MONITORING 2016-17 - DEPARTMENTAL OUTTURN SUMMARIES

Department	Service	Actuals 2016-17	Budget 2016-17	Funds Carried Forward to 2017-18							Adjusted Budget	(Over) / Underspend	Variance %age	Comments/Explanation
				Unspent Grant Monies	Third Party Contributions	CHORD Funding	DMR School Carry Forward	Previous Council Decision	Scottish Government Initiatives	Unspent Budget Proposals				
Development and Infrastructure Services	Executive Director of Development and Infrastructure Services	1,268,361	1,677,146								1,677,146	408,785	24.37%	The underspend arises mainly as a result of the over delivery of vacancy savings.
Development and Infrastructure Services	Head of Economic Development	3,885,992	4,156,061			143,799				200,000	3,812,262	(73,729)	(1.93%)	The underspend, before adjustment for earmarking, arises mainly due to lower than expected costs on airport services. The funds earmarked relate to unused CHORD grant, the Inveraray Avenue Screen and Hermitage Park.
Development and Infrastructure Services	Head of Planning and Regulatory Services	3,004,003	3,011,695								3,011,695	7,691	0.26%	Outwith reporting criteria
Development and Infrastructure Services	Head of Roads and Amenity Services	20,852,374	20,644,885								20,644,885	(207,489)	(1.01%)	The overspend arises due to overspends in waste services, winter maintenance and road lighting offset by underspends in amenity services, central management, coastal protection, flood prevention and higher than expected income generated in piers and harbours and network and environment.
Development and Infrastructure Services Total		29,010,729	29,489,786	0	0	143,799	0	0	0	200,000	29,145,987	135,258	0.46%	
Overall Totals		153,087,873	157,285,264	244,530	105,152	143,799	1,033,909	173,375	343,008	1,115,200	154,126,291	1,038,418	0.67%	

Reporting Criteria: +/- £50k OR +/- 10%

ARGYLL AND BUTE COUNCIL**COUNCIL****CHIEF EXECUTIVE'S UNIT****29 JUNE 2017****EARMARKED RESERVES – 2016-17 YEAR-END****1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide information on progress with balances already earmarked within the General Fund, new balances earmarked at the end of 2016-17 that qualify for automatic carry forward and request approval for 13 new unspent budget earmarking proposals.
- 1.2 The earmarked balance in the General Fund as at 31 March 2016 was £43.272m. Of this balance £8.614m has been spent during 2016-17 and £0.046m will be transferred back to the General Fund. The remainder is planned to be spent in future years.
- 1.3 There are 13 new unspent budget earmarked proposals totalling £2.865m with supporting business cases for approval:

Department	Description	Appendix	£000
Chief Executive's Unit	CIPFA student fees, VAT training and equipment	1a	33
Community Services	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	1b	75
Community Services	Specialist consultancy required for the implementation of the Leisure and Libraries Trust.	1c	40
Customer Services	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	1d	150
Customer Services	As a result of the Edinburgh Schools Inquiry, the Cole report has been issued addressing issues in relation to the monitoring of construction projects. Earmarking will provide resource to enable the Council to review monitoring arrangements across a number of projects to ensure compliance.	1e	250
Customer Services	Replacement of IR5 system for room/resource bookings	1f	30
Customer Services	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	1g	270
Customer Services	To fund the introduction of local Windows Services Update Servers (WSUS) to assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security and with less duplication to users.	1h	50

Customer Services	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	1i	17
Development and Infrastructure	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh.	1j	100
Development and Infrastructure	Essential maintenance work to be required out on the Arches in Inveraray.	1k	100
Other	Underwriting development of Rothesay Pavilion	1l	1,000
Other	New schools additional costs	1m	750
Total			2,865

- 1.4 The Council previously agreed to earmark £0.172m to meet the cost of 11 digital transformation options and to support the work of the Transformation Board at its meeting in February 2017.
- 1.5 There are new balances totalling £3.870m that qualify for automatic carry forward at the end of 2016-17.
- 1.6 The new earmarked balance as at 31 March 2017 amounts to £41.519m. The most significant elements of this balance relate to the Strategic Housing Fund £6.177m, Investment in Affordable Housing £5.000m, which will generate an income stream which will finance borrowing for the schools projects, Helensburgh Waterfront £5.579m, Argyll Lomond and the Islands Regeneration Initiative £4.453m and funding to support the replacement and investment in the schools estate £2.805m.

ARGYLL AND BUTE COUNCIL
COUNCIL**REPORT BY HEAD OF STRATEGIC FINANCE****29 JUNE 2017**

EARMARKED RESERVES - 2016-17 YEAR-END

2. INTRODUCTION

- 2.1 The purpose of this report is to provide information on progress with balances already earmarked within the General Fund, new balances earmarked at the end of 2016-17 that qualify for automatic carry forward and request approval for 13 new unspent budget earmarking proposals.

3. RECOMMENDATIONS

- 3.1 Members to approve the 13 new unspent budget earmarked reserve proposals totalling £2.865m, as per the business cases submitted and as outlined within Appendix 1.
- 3.2 Members to approve two new categories for automatic carry forward of unused funds relating to funding provided by the Scottish Government to implement new legislation or to deliver government initiatives and for investment in energy efficiency as set out in the revised Policy on Year End Flexibility included as Appendix 2.
- 3.3 Members to note the new balances at the end of 2016-17 that qualify for automatic carry-forward as outlined within Appendix 3.
- 3.4 Members to note the previously approved unspent budget earmarked reserves and the justification for continuing to earmark these as outlined within Appendix 4.
- 3.5 Members to note that £0.046m of earmarked balances will be released back into the General Fund as these balances are no longer required.
- 3.6 Members to note the other balances contained within Appendix 5, both previously earmarked and new balances that have been subject to a previous Council decision.

4. DETAIL**4.1 Background**

- 4.1.1 The Council has previously agreed the following in respect of earmarked balances in the General Fund:
- The balances in relation to the Strategic Housing Fund, CHORD and unspent budget within the Devolved Management of Resources (DMR) Scheme of Delegation for schools.
 - Any unspent grants and unspent contributions from external bodies are earmarked. This is on the basis that the monies would have to be returned/repaid if not used for the purpose intended.

- Any unspent budget that relates to existing policy commitments arising from a previous Council decision or is required to meet an existing legal commitment is earmarked.

- 4.1.2 A new automatic carry forward category for funding provided by the Scottish Government to implement new legislation or government initiatives is proposed. This new category would require that any carried forward funding is used solely for its intended purpose. This would provide departments with certainty regarding the funding available to them to plan and implement new government directions. A revised earmarking policy, including this new category, is attached as Appendix 2 for approval.
- 4.1.3 A new automatic carry forward category for investment in energy efficiency measures, referred to as the Energy Efficiency Fund, to reinvest savings generated from energy efficiency measures to further reduce the Council's energy costs and carbon emission levels. A revised earmarking policy, including this new category, is attached as Appendix 2 for approval.
- 4.1.4 Outwith the situations noted above there will be no automatic carry forward of unspent budget. Earmarking of funds in relation to unspent budget and not covered by the criteria above are reported to Council for approval and supported by a business case.

4.2 New Earmarked Reserves

- 4.2.1 Appendix 1 provides detail of the new unspent budget proposals at the end of the 2016-17 financial year, these proposals total £2.865m. Council are asked to review these new proposed earmarked balances together with the business cases developed by services which are included as Appendices 1a to 1m.
- 4.2.2 There are also new earmarked balances for the 2016-17 financial year which qualify for automatic carry forward in line with the conditions outlined in paragraphs 4.1.1 and 4.1.2. These total £3.870m and are outlined in Appendix 3.

4.3 Previously Approved Balances

- 4.3.1 Appendix 4 outlines the previously agreed earmarked balances from unspent budget with a note on the plans for use and in some instances further justification of why the amounts remain earmarked. An indicative spending profile has been included for each earmarked balance but these may vary as projects progress and require amendment. These balances have been scrutinised by SMT to ensure that there are clear spending plans in place and that the purpose of the earmarking is in line with Council priorities.
- 4.3.2 Appendix 5 outlines the remainder of the previously approved earmarked balances. These are only provided for information as they are balances which qualify for automatic carry forward or have been subject to a previous Council decision.

4.4 Balances released back to the General Fund

- 4.4.1 The details of the funds totalling £0.046m that will be un-earmarked and released back into the General Fund are detailed below:
- 4.4.2 A £0.010m payment in respect of the Waverley, funding was agreed over a three year period and this ended in 2015-16.

- 4.4.3 A £0.028m payment in respect of the Hebridean Air Services Contract. The earmarking related to the full earmarking covering the three years 2015-16 to 2017-18: £0.028m was already drawn down in 2015-16 and this should have been updated.
- 4.4.4 A £0.018m payment in respect of the Hermitage Park project funding gap. Following a successful Ministry of Defence Covenant application of £253,000 and a further successful application to Sustrans of £300,000, all match funding for the Hermitage Park project is in place, therefore underwriting by the Council is no longer required.
- 4.4.5 At its meeting on 27 October 2016, the Policy and Resources Committee agreed to re-allocate £0.010m of the above released funds towards the cost of inviting a small delegation from Amberg-Sulzbach to Argyll and Bute to celebrate the 50th anniversary of the twinning arrangement between both regions. This was a one-off allocation to supplement the existing twinning budget during the anniversary year in 2017.

4.5 General Fund Balance

- 4.5.1 The General Fund balance at 31 March 2016 was £52.417m, of this a total of £43.272m was approved by Council to be earmarked for specific purposes. The table below summarises the movement in the earmarked balance to 31 March 2017:

Earmarking Category	Balance at 31 March 2016 £000	New Earmarking from 2016-17 Outturn £000	New Earmarking Agreed by Council during 2016-17 £000	Actual Spend 2016-17 £000	Released back to General Fund £000	Balance Carried Forward to 2017-18 £000
Argyll, Lomond and the Islands Regeneration Initiative	4,500	0	0	(47)	0	4,453
Asset Management Investment	2,492	0	0	0	0	2,492
CHORD	96	144	0	0	0	240
DMR Schools	1,210	1,034	0	(1,210)	0	1,034
Energy Efficiency Fund	175	43	0	(82)	0	136
Existing Legal Commitment	1,186	0	0	(144)	0	1,042
Helensburgh Waterfront	5,579	0	0	0	0	5,579
Investment in Affordable Housing	5,000	0	0	0	0	5,000
NPDO	2,805	0	0	0	0	2,805
Previous Council Decision - Other	1,819	1	0	(835)	(56)	929
Scottish Government Initiatives	410	343	0	(79)	0	674
Severance	3,500	0	0	(1,179)	0	2,321

Strategic Housing Fund	6,581	1,955	0	(2,359)	0	6,177
Transformation	100	0	0	(17)	0	83
Unspent Budget	6,668	2,865	172	(1,996)	10	7,719
Unspent Grant	874	245	0	(575)	0	544
Unspent Third Party Contribution	277	105	0	(91)	0	291
Totals	43,272	6,735	172	(8,614)	(46)	41,519

- 4.5.2 A total of £41.519m is earmarked to be carried forward into 2017-18. The most significant elements of this balance relate to the Strategic Housing Fund £6.177m, Investment in Affordable Housing £5.000m, which will generate an income stream which will finance borrowing for the schools projects, Helensburgh Waterfront £5.579m, Argyll Lomond and the Islands Regeneration Initiative £4.453m and funding to support the replacement and investment in the schools estate £2.805m.
- 4.5.3 The earmarked balances will be monitored throughout the financial year and reports submitted to the Policy and Resources Committee.

5. CONCLUSION

- 5.1 A total of £0.046m of earmarked balances will be released back into the General Fund, as agreed as part of the budget agreed in February 2017, adjusted to reflect the decision taken by the Policy and Resources Committee on 27 October 2016 to reallocate £0.010m of unrequired earmarking funding towards the cost of the 50th anniversary of the twinning arrangement between Amberg-Sulzbach and Argyll and Bute in 2017.
- 5.2 Services have submitted their new proposed unspent budget earmarked reserves balances for the 2016-17 year-end for consideration by Council together with business cases to support the requests, these proposals total £2.865m.
- 5.3 There are a number of previously approved unspent budget earmarked reserves balances where there are plans to spend in future years, these have been scrutinised by SMT to ensure there is clear justification for these to continue to be earmarked.
- 5.4 There are new balances totalling £3.870m that qualify for automatic carry forward at the end of 2016-17, including two which are classified under the new Scottish Government Initiatives category totalling £0.343m and one under the new Energy Efficiency Fund category of £0.043m.

6. IMPLICATIONS

- | | | |
|-----|--------------------|--|
| 6.1 | Policy – | Outlines the new proposed unspent budget earmarking to be carried forward as per the updated policy. Also outlines the new balances to be earmarked which qualify for automatic carry forward. |
| 6.2 | Financial - | Outlines all earmarked balances held within the General Fund. |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | None. |
| 6.7 | Customer Service - | None. |

Kirsty Flanagan
Head of Strategic Finance

Councillor Gary Mulvaney – Depute Council Leader - Policy Lead Strategic Finance and Capital Regeneration Projects

30 May 2017

For further information contact: Kirsty Flanagan, Head of Strategic Finance

APPENDICES

- Appendix 1 – New Unspent Budget Proposals 2016-17
- Appendix 1a – Business Case – Strategic Finance Training and Equipment
- Appendix 1b – Business Case – Queen’s Hall Soft Play
- Appendix 1c – Business Case – Leisure Trust Consultancy
- Appendix 1d – Business Case – Non-Domestic Rates Revaluation Appeals
- Appendix 1e – Business Case – New Schools Project
- Appendix 1f – Business Case – IR5 System Replacement
- Appendix 1g – Business Case – Management of Asbestos
- Appendix 1h – Business Case – WSUS Servers
- Appendix 1i – Business Case – Training Centre Improvements
- Appendix 1j – Business Case – Hermitage Park
- Appendix 1k – Business Case – Inveraray Avenue Screen
- Appendix 1l – Business Case – Underwriting Rothesay Pavilion Development
- Appendix 1m – Business Case – New School Additional Costs
- Appendix 2 – Revised Policy on Year End Flexibility
- Appendix 3 – New Automatic Carry Forward Earmarkings 2016-17
- Appendix 4 – Previously Agreed Earmarked Balances – Unspent Budget
- Appendix 5 – Previously Agreed Earmarked Balances – Automatic Carry Forward

					Spending profile		
Ref	Service	Description	New Earmarking	Plans for Use	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
CHIEF EXECUTIVES UNIT							
001	Strategic Finance	CIPFA student fees, VAT training and equipment	33,500	To fund the professional training costs for two staff undertaking the CIPFA professional accountancy qualification, VAT training for staff in Strategic Finance aswell as key staff in procurement and creditors and fund the replacement/upgrade of IT equipment necessary to ensure the efficient delivery of service.	20,167	6,667	6,666
COMMUNITY SERVICES:							
002	Community and Culture	Queen's Hall Soft Play	75,000	To fund the provision of a soft play area required as part of the CHORD redevelopment of the Queen's Hall.	75,000	0	0
003	Community and Culture	Consultancy	40,000	Specialist consultancy required for the implementation of the Leisure and Libraries Trust.	40,000	0	0
CUSTOMER SERVICES:							
004	Customer Services	Estates - NDR Revaluation Appeals	150,000	To meet the cost of appealing NDR revaluations which will be imposed from 1st April 2017.	150,000	0	0
005	Customer Services	New Schools Project - Additional Monitoring	250,000	As a result of the Edinburgh Schools Inquiry, the Cole report has been issued addressing issues in relation to the monitoring of construction projects. Earmarking will provide resource to enable the Council to review monitoring arrangements across a number of projects to ensure compliance.	80,000	85,000	85,000
006	Customer and Support Services	Replacement of IR5 system	30,000	Replacement of unreliable and insecure IR5 system for room/resource bookings with modern system.	30,000	0	0
007	Facility Services	Management of Asbestos	270,000	Providing asbestos management on an ongoing basis by employing 2.5 FTE to ensure compliance with all regulatory requirements.	90,000	90,000	90,000
008	Customer and Support Services	WSUS Servers	50,000	To fund the introduction of local Windows Services Update Servers (WSUS) to assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security and with less adverse impact on bandwidth and user performance.	50,000	0	0
009	Improvement and HR	Training Centre Improvements	16,700	To fund the improvement of the Council's training facilities, including the purchase of new IT equipment which would increase the Council's training offering, allowing access to online, remote and multiple location webinar based learning.	16,700	0	0
DEVELOPMENT AND INFRASTRUCTURE SERVICES:							
010	Development and Infrastructure	Hermitage Park Pavilion	100,000	Funding to meet the unexpected additional cost associated with the construction of a new pavilion at Hermitage Park in Helensburgh.	100,000	0	0
011	Development and Infrastructure	Inveraray Avenue Screen	100,000	Essential maintenance work to be required out on the Arches in Inveraray.	100,000	0	0
OTHER:							
012	Other	Underwriting development of Rothesay Pavilion	1,000,000	Funding to meet additional costs identified as necessary for the refurbishment of Rothesay Pavilion.	1,000,000	0	0
013	Other	New schools additional costs.	750,000	Funding to meet additional costs identified as necessary to complete the refurbishment of Dunoon Primary School.	750,000	0	0

Ref	Service	Description	New Earmarking	Plans for Use	Spending profile		
					Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
			2,865,200		2,501,867	181,667	181,666

ARGYLL AND BUTE COUNCIL**COUNCIL****REPORT BY HEAD OF
STRATEGIC FINANCE****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**STRATEGIC FINANCE TRAINING AND EQUIPMENT**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £33,500 be earmarked from the revenue budget underspend within Strategic Finance for the following three purposes:

- To support a CIPFA professional accounting training programme to train two new accountants to ensure that the service is able to continue to maintain a quality finance service as the current staff group changes in the coming years due to staff retirement and/or turnover;
- To upskill strategic finance and key staff from the procurement and creditors teams in relation to VAT rules and regulations; and
- To enable the service to maximise the use of technology to meet the increasing demands placed on the service and accommodate the reduction in staff numbers.

2.2 Business Case**2.2.1 Professional Training**

To ensure that the Council's funds are managed effectively, the Strategic Finance Service needs to maintain a core of qualified accountants to provide professional advice and oversight. In order to ensure succession arrangements are in place to deal with the expected higher than normal level of staff turnover over the next three years due to the age profile of the service's current qualified staff, the service has identified the need to train two existing staff to the CIPFA Professional Level. Funding is requested to meet the costs of the training for both staff at a total cost of £20,000 over three years. These costs cannot be met from the service's annual revenue budget allocation and this funding has become available as a result of staff retirement within the service.

2.2.2 VAT Training

To ensure that the Council is fully compliant with the law in relation to VAT and that it minimises its exposure to VAT costs, a training need for all Strategic Finance staff

and key staff from the procurement and creditors teams has been identified. The total cost of the training is £5,850.

2.2.3 Equipment

To enable the Strategic Finance Service to operate efficiently and meet the challenge of meeting increased demand for support with fewer staff, the service needs to ensure that it has the appropriate tools and technology available to it. This proposal, costing £7,650, would enable the service to ensure that its computer and equipment estate is compatible with the service's increasing use of digital technologies, including document storage, data processing and analysis, communication and collaboration.

2.3 Expenditure Profile

	2017-18	2018-19	2019-20	Total
CIPFA Professional Training	6,667	6,667	6,666	20,000
VAT Training	5,850	-	-	5,850
Equipment	7,650	-	-	7,650
Total	20,167	6,667	6,666	33,500

Kirsty Flanagan
Head of Strategic Finance
26 May 2017

ARGYLL AND BUTE COUNCIL

COUNCIL

REPORT BY ACTING
EXECUTIVE DIRECTOR OF
COMMUNITY SERVICES29 JUNE 2017

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**QUEENS HALL SOFT PLAY**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

The Business Cases (2012 and 2014) for the refurbished Queens Hall in Dunoon include provision for a large soft play area. The most recent commitment to this plan was confirmed at the Bute and Cowal Area Committee of 14 June 2016.

2.2 Business Case

- 2.2.1 Strategic Outcomes:** The expenditure required to invest in the soft play area will allow continued delivery of the Council's Corporate Plan and to assist in making our towns places of economic vibrancy that creates employment and prosperity for the residents of Argyll and Bute. The redevelopment of the Queens Hall will contribute towards the outcomes set out in the Single Outcome Agreement.

- 2.2.2 Financial:** It was agreed that the cost of provision for the soft play area would be met from the service revenue budget due to constraints placed on the CHORD capital budget by higher than expected tender amounts for the building refurbishment. The Council will retain the overall strategic responsibility and ownership of the soft play facility as part of its Service Level Agreement with the Trust.

Based on comparable soft play structures installed by other providers, the cost is estimated to be between £70 - £100k. The Queens Hall business case has estimated annual income from the soft play facility of £67k, giving a pay-back on investment of around 1 to 2 years.

- 2.2.3 Risks:** The plans for the Queens Hall were the subject of extensive public consultation and included the soft play facility, which will be a valuable addition to the amenities available to families living in and visiting the Dunoon area. Failure to provide this service has the potential for adverse publicity for the Council. There is no alternative funding source for the purchase of this equipment. After the soft play equipment is operational, it will be a key driver in generating income to help support the rest of the Queens Hall business.

- 2.2.4 Success Measures:** It is expected that a trust, operating with a clear commercial focus, will be quickly able to respond to customer demands and market changes, which is very important in terms of income generation and management of risk.

A marketing strategy is being developed as part of the business planning for the Leisure Service to maximise the business opportunities presented. For the Queens Hall, this business will take some time to build following re-opening of the building. However, based on the current level of demand for these services elsewhere, the wide range of services provided, including the soft play facility should generate significant income for the Queens Hall and bring resultant economic benefit to Dunoon and Cowal. High profile events will cement the refurbished Queens Hall's role as the flagship building in the regeneration of Dunoon Waterfront Development.

The income and expenditure for the Queens Hall will be monitored as part of the Trust's budget process and reported to the Council, who will retain ownership of the soft play facility, as part of the Service Level Agreement between the Council and the Trust.

2.3

Expenditure Profile

The monies, totalling £75,000, will be transferred into the CHORD budget for the Queens Hall to facilitate spend at the appropriate point in the project and following a robust design and tender process.

Ann Marie Knowles
Acting Executive Director, Community Services
31 May 2017

ARGYLL AND BUTE COUNCIL**COUNCIL****REPORT BY EXECUTIVE
DIRECTOR OF COMMUNITY
SERVICES****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**LEISURE TRUST CONSULTANCY**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 The Full Business Case for the charitable Leisure and Libraries Trust was accepted at Council Meeting on 24th November 2016. Implementation stage is ongoing preparing for the trust being live in October 2017. A Business Plan is required for the Trust to cover the period from October 2017 to March 2020.

2.2 Business Case

- 2.2.1 The expenditure is required to fund the previously tendered consultancy costs for Phase 2 implementation of the new trust. This will include a Business Plan (2017-2020) that will set out the Trust's vision and development strategy over the next 3 years and will ensure the following key purposes are met:

- Develop the Trust's vision and mission to ensure it is representative of future goals and aspirations and those of its key partners, including the Council;
- Develop the business model to enable the Trust to become resilient and sustainable;
- Establish the sustainability of the Trust by developing a robust financial plan and sound management;
- Identify the strategic aims and objectives which will support delivery of the plans;
- Develop staffing, management and governance structures to deliver the Trust's charitable objectives.

- 2.2.2 The cost of preparing the Business Plan, providing financial support, commercial advice and project management will be in the region of £40k.

2.3 Expenditure Profile

The monies, totalling £40,000, will be spent by September 2017.

Ann Marie Knowles
Acting Executive Director, Community Services
31 May 2017

ARGYLL AND BUTE COUNCIL**COUNCIL****REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**ESTATES - NDR REVALUATION APPEALS**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 The Council requires to make provision to meet the cost of appealing Non Domestic Rates (NDR) revaluations which will be imposed from 1st April 2017. It is proposed that £150,000 be earmarked from the favourable 2016-17 outturn position to fund these appeals.

2.2 Business Case

- 2.2.1 All non-domestic properties have been revalued to take effect from 1st April 2017. Revaluation notices have been received for all Council properties and are being reviewed to clarify the level of change to the previous valuations. The value applied has a direct impact on the level of NDR paid for each property.
- 2.2.2 Where a valuation is identified as too high the Authority will be required to approach the Assessor to request a review of the valuation. If we are unable to reach agreement then the Authority will be required to lodge an appeal with the Assessor's Office by 30th September 2017.
- 2.2.3 The appeal requires to be lodged in writing with an explanation as to why we think the valuation is wrong. In most cases the appeal will be heard by the valuation appeal committee.
- 2.2.4 Preparations to appeal the revaluations may be complex and highly technical in nature and are likely to require external input from a Company with the relevant expertise and skill set. Failure to appeal where a high valuation has been advised will result in significant increases in the levels of NDR paid by the Council for 2017/18 and all future years. It is therefore considered prudent to identify the sum of £150k to minimise this potential cost pressure. If this sum is earmarked it will also reduce the pressure on the 2017/18 revenue budget and will assist with the planning and contractual arrangements with third party suppliers.

2.3 Expenditure Profile

The sum of £150,000 will be spent during 2017/18.

Douglas Hendry
Executive Director of Customer Services
31 May 2017

ARGYLL AND BUTE COUNCIL
COUNCIL
**REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES**
29 JUNE 2017

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**NEW SCHOOLS PROJECT - ADDITIONAL MONITORING**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £250,000 be earmarked from the revenue budget underspend within Customer Services in 2016-17 to fund potential additional monitoring costs for current construction and infrastructure projects.

2.2 Business Case

- 2.2.1 As a result of the Edinburgh Schools Inquiry, the Cole Report has been published addressing issues in relation to the monitoring of construction projects.
- 2.2.2 The Council has a number of ongoing construction projects ranging in value to include the Oban High School, Campbeltown Grammar School, Kirn Primary School and Dunoon Primary School New Schools Projects. There is also an ongoing requirement to manage and monitor the NPDO Schools (Hermitage Academy, Dunoon Grammar School, Lochgilphead Joint Campus, Rothesay Joint Campus and Oban Primary Campus) as well as the remainder of the School Estate.
- 2.2.3 A consequence of the Cole Report will be a requirement on the Council to undertake additional activities in relation to the management of the entire School Estate including the New Schools Projects and the NPDO. It is therefore prudent to make provision to do so. The earmarked sum will provide resource to enable the Council to review monitoring arrangements across a number of projects and particularly the Hub Schools Projects and determine appropriate arrangements for monitoring on an ongoing basis.
- 2.2.4 Currently within the NPDO Project there is ongoing legal, financial and contract monitoring of the project and the performance of the contractor in the delivery of services and the maintenance of the schools with the focus on delivering an effective operation of the project and efficiencies within the project budget. This has contributed to the underspend within Customer Services.

It is anticipated that there will be an increasing challenge to demonstrate that projects

- 2.2.5 are being effectively monitored. It is therefore proposed that £250,000 be earmarked from 2016/17 favourable outturn to meet the additional costs from 2017/18 onwards.

Expenditure Profile

2.3

The sum of £250,000 will be spent from 2017/18 onwards. (£80,000 in 2017/18, £85,000 in 2018/19 and £85,000 in 2019/20)

Douglas Hendry
Executive Director of Customer Services

ARGYLL AND BUTE COUNCIL**COUNCIL****REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**IR5 ROOM BOOKING SYSTEM REPLACEMENT**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £30,000 be earmarked from the revenue budget underspend within Customer and Support Services to fund the purchase and implementation of a new modern on-line booking system.

2.2 Business Case

- 2.2.1 The current room booking system, IR5, was procured five years ago and supports both internal bookings for meeting rooms, pool cars, and external bookings for community centres, football pitches, tennis courts and minibuses. The interface is unreliable, difficult to use and the security is weak. It also will not work with Windows 10 PCs which is becoming increasingly problematic. We had expected the system to be replaced by new functionality becoming available through the Syx Leisure System. This has not transpired, and with the move to a Leisure Trust model it is now preferable to continue to keep this functionality separate.
- 2.2.2 The Customer Services Board has considered an option appraisal and concluded that the best way forward is to replace the system. There are many systems available on the marketplace and demos have been provided of the leading systems. We are confident that an improved system could be procured and implemented for a relatively modest cost quite quickly using a framework contract. A modern system should make online bookings much easier. It is expected that a new system could be procured for a total cost of ownership over 5 years of £25k to £30k.
- 2.2.3 There is an underspend within Benefits Administration materials budget in 2016-17 as a saving in advance of savings required for 2017-18. This could be carried forward as an earmarking in order to fund the purchase and implementation of such a system. Council is therefore requested to support to earmark this unspent budget to enable it to be spent in the new financial year in pursuit of this policy objective.

2.3 Expenditure Profile

The sum of £30,000 will be spent during 2017-18.

Douglas Hendry
Executive Director of Customer Services
31 May 2017

ARGYLL AND BUTE COUNCIL**COUNCIL****REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES****29 JUNE 2017**

**PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE
MANAGEMENT OF ASBESTOS**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £270,000 be earmarked from the revenue budget underspend within Facility Services in 2016-17 to fund the management of asbestos for a further three years.

2.2 Business Case

- 2.2.1 The Health and Safety Executive (HSE) advise that the duty to manage asbestos is a legal requirement currently under the Control of Asbestos Regulations 2012 (Regulation 4). It applies to the owners and occupiers of premises who have responsibility for maintenance and/or repair activities. In addition to these responsibilities, they also have a duty to assess the presence of asbestos and the condition of any Asbestos Containing Materials (ACMs). Where present, or is presumed to be present, then this must be managed appropriately on an ongoing basis.
- 2.2.2 The sum of £513k was agreed as an earmarked reserve by the Council's Executive Committee on 19 April 2012 to support this activity. It is anticipated that this will be fully spent by FQ2 2017/18. While this is the case, in order to ensure compliance with all regulatory requirements there remains a need to manage, in perpetuity, the asbestos that is present within the Council's property portfolio.
- 2.2.3 To ensure compliance with the regulatory requirements there is an ongoing need to manage the activities associated with the delivery of the Asbestos Management Plan. This is also to ensure that building users are fully protected. In view of the extent of the Council's property estate, together with the experience gained since 2012, the minimum staffing resource currently required to manage asbestos on an ongoing basis is:
- Asbestos Management Officer (1FTE – anticipated LGE11)
 - Property Maintenance Assistant Asbestos Inspection (1FTE – LGE6)
 - Asbestos Administration (0.5FTE – estimate LGE4)

The annual cost of this would be £90k.

An initial Health and Safety Impact Assessment indicates that no detailed assessment is required at this stage.

2.3 Expenditure Profile

The sum of £270,000 will be spent equally over 3 years from 2017/18 onwards.

Douglas Hendry
Executive Director of Customer Services
31 May 2017

ARGYLL AND BUTE COUNCIL

COUNCIL

REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES29 JUNE 2017

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE

WSUS SERVERS

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £50,000 be earmarked from the revenue budget underspend within Customer & Support Services (benefits) in 2016-17 to fund the introduction of local Windows Services Update Servers (WSUS) which will assist the Council with ensuring that essential updates are installed across the desktop and laptop estate much more quickly, thereby increasing IT security, and with less disruption to users

2.2 Business Case

- 2.2.1 Everyone will be aware of the recent WannaCry ransomware attack on 12 May which affected the health service locally to a minor extent, and nationally to a significant extent. The **National Cyber Security Centre (NCSC)** issued the following statement:-

“Today we have seen a set of global cyber attacks against thousands of organisations and individuals in dozens of countries.

“The National Cyber Security Centre is working round the clock with UK and international partners and with private sector experts to lead the response to these cyber attacks.

“The picture is emerging that this is affecting multiple countries and sectors and is not solely targeted at the NHS. As the Prime Minister said, we have no evidence that UK National Health Service patient data has been stolen.

“We are very aware that attacks on critical services such as the NHS have a massive impact on individuals and their families, and we are doing everything in our power to help them restore these vital services.

“It is important that organisations reduce the risks of these attacks happening to them. There are three pieces of important advice to help protect your organisation:

- 1) Make sure your security software patches are up to date

- 2) Make sure that you are running proper anti-virus software
- 3) Back up your data somewhere else because you can't be held to ransom if you've got the data somewhere else.

2.2.2 The Council was not affected by this particular malware. It took a number of actions to increase protection, including preventing any device which had not been on the network for 30 days (and therefore was not patched against the malware) from accessing the network, and blocking certain ports externally. The Council has a regular patching regime which is robust and is audited externally by the Cabinet Office through the annual Public Sector Network accreditation. However the size of these updates from Microsoft is increasing, and the length of time it takes to send these to all devices across the network is becoming unmanageable. It is also affecting bandwidth detrimentally. In order to improve these issues, we would like to install local servers. We would then send the updates once to the local server and the server will then send the update to every end user device across the local area network. This will mean that it is much faster to push out these patches, and users will not experience the same degradation in bandwidth as at present when these are being pushed out.

2.2.3 The IT service has estimated that c 70 of these servers are required and this would cost c £50,000. Council is therefore requested to support to earmark this unspent budget to enable it to be spent in the new financial year in pursuit of this policy objective.

2.3 Expenditure Profile

The sum of £50,000 will be spent during 2017-18.

Douglas Hendry
Executive Director of Customer Services
31 May 2017

ARGYLL AND BUTE COUNCIL

COUNCIL

REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES

29 JUNE 2017

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE

TRAINING CENTRE IMPROVEMENTS

1. INTRODUCTION

- 1.1. The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL

2.1. Initiative/Proposal

- 2.1.1. It is proposed that £16 700 be earmarked from the revenue budget underspend for the purposes of improving training facilities in support of the Council's digital first and growing our own initiatives. Earmarking would be used for the scoping and implementation of hardware/software required to upgrade the Council's training offering allowing increased use of online, remote and multiple location webinar based learning.

2.2. Business Case

- 2.2.1. The council's geography presents challenges with regards to the cost effective delivery of training. The Council's main training centre at Whitegates contains equipment which is out of date and currently not under maintenance. Having up to date equipment will support the expansion of our commercial training offering in the short term, while presenting efficiencies in terms of travel expenses and time for internal training courses.

2.3. Expenditure Profile

Item	2017/18 Amount £
Equipment	15,000
Installation	1,500
Training materials/ development of guidance for external trainers on how to use our new equipment	200
Total	16,700

Douglas Hendry
Executive Director of Customer Services
31 May 2017

PAPER IS EXEMPT FROM PUBLICATION

ARGYLL AND BUTE COUNCIL**COUNCIL****DEVELOPMENT AND INFRASTRUCTURE SERVICES****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**HERMITAGE PARK, HELENSBURGH**

1.0 INTRODUCTION

- 1.1** The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2.0 DETAIL**2.1 Initiative/Proposal**

Hermitage Park Lot One, for the construction of a new pavilion to replace the old pavilion which was condemned, is subject to a second value engineering exercise with the aim of reducing costs. The pavilion is currently £150k over budget and it is hoped that value engineering will bring down costs without loss of quality to the build. Any loss of quality may have a subsequent impact on the commercial viability of the building and its attractiveness to potential catering business for letting purposes. This proposal is to earmark £100k of unspent budget towards this additional budget cost.

2.2 Business Case**2.2.1 Strategic Outcomes:**

Hermitage Park makes a significant contribution to the attractive townscape of Helensburgh and plays a strategic role in the regeneration of Helensburgh, delivering a revitalised Helensburgh town centre and waterfront, alongside CHORD developments. It is aligned with the council's SOA, Economic Development Plan, Scottish Government economic and health strategies, and has significant local community involvement and support.

In addition the Hermitage Park Management and Maintenance Plan outlines an innovative way of working with the local community to deliver a revitalised park.

2.3 Finance

Funding is secured for the current budget however tender returns have been considerably over budget. Through a value engineering exercise costs have been significantly reduced, however are still £150k over budget and subject to a

second value engineering exercise. The table below shows costs and budget position.

Lot 1	Current budget
Pavilion construction	£596K
Prelims	£60K
Contingency @ 10%	£60K
<u>TOTAL</u>	<u>716K</u>
	Current tender returns
Pavilion construction and prelims which are subject to a second value engineering exercise.	£150K over budgeted amount with expected reduction to be achieved of at least £50K.

2.4 Risks

If the current design of the pavilion cannot be funded, a redesign may be necessary. The following risks are identified:

- Further delay of Lot One will have a negative impact on the project timeline and delivery of Lot Two works (landscape and conservation).
- The proposed 'unveiling' of the park in summer 2018 will be postponed.
- Redesign of the pavilion will eat into budget, further reducing the construction budget.
- The current pavilion business plan will be invalid and projected incomes unable to be realised.
- A lower costed redesign of the pavilion may not support the delivery of the Management and Maintenance Plan and the Activity Plan which are agreed with Heritage Lottery Fund (HLF).
- HLF funding may be under threat if the pavilion design changes significantly or indeed if the construction does not go ahead.
- If we do not proceed with the pavilion, local goodwill and the positive media profile achieved may be lost thus having a negative impact on the council's reputation.

2.5 Success Measures:

The pavilion (Lot One) is part of the wider regeneration of Hermitage Park project of which success measures are as follows:

- External funding investment of circa £3m for council investment of currently £280K;
- Funding for a 5 year development post;
- Restoration of the park and delivery of new build capital thereby creating improved assets which are more sustainable, replacing outdated and unsafe assets (in particular the pavilion);
- A wide range of community health and wellbeing outcomes;

- Skills and training for staff and volunteers;
- Heritage outcomes for staff, community and visitors;
- Community benefits from contracts which include job creation, partial use of local contractors and suppliers, and community engagement.

2.6 Expenditure Profile:

The monies will be transferred into the Hermitage Park budget to facilitate spend at the appropriate point in the project and following the outcome of the second value engineering exercise.

**Pippa Milne, Executive Director of Development and Infrastructure
Councillor Aileen Morton, Council Leader - Policy Lead, Economic
Development**

26 May 2017

For further information contact:

Arlene Cullum
Senior Development Officer
Phone 01436 658727
Arlene.Cullum@argyll-bute.gov.uk

Morag Cupples
Principal Accountant
Phone 01546 604878
Morag.Cupples@argyll-bute.gov.uk

ARGYLL AND BUTE COUNCIL**COUNCIL****DEVELOPMENT AND
INFRASTRUCTURE SERVICES****29 JUNE 2017**

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**INVERARAY AVENUE SCREEN**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

The Inveraray Screen lies in a prominent location adjacent to the A83 that passes through the village. The Avenue Screen is currently in a poor state of physical repair and is likely to deteriorate further if nothing is done to bring forward repairs in the near future. Argyll and Bute council, as owners of the Avenue Screen, has a statutory duty to maintain the structure (Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997). Given that the structure is immediately adjacent to the public footpath and it also provides the main vehicular access to the public car park it is important that the structure is maintained in a manner that ensures the health and safety of the public who pass underneath the arch and use adjacent pavements.

The Avenue Screen in Inveraray is also a Category A listed building which identifies the structure as being of national or international importance. The structure is a key component of the Front Street façade and its rehabilitation would add value to and complement the significant public investment that has already been made into Inveraray through the Inveraray CARS.

2.2 Business Case**Strategic Outcomes:**

Historic Environment Scotland (HES) have ring fenced, subject to their final board approval £77,828.40, to assist with the repair of the Avenue Screen this represents a one off grant opportunity to deal with repairs to the Screen as normally grant assistance is limited to a maximum of 25% of the total cost. This therefore a one off opportunity.

CARS-funded regeneration works to the value of £595,865.00 have been carried out at neighbouring properties: Town House, Chamberlain's House and Old Temperance Hotel. The Inveraray Inn has also recently been renovated by its new owners. The

poor condition of the Avenue Screen has become more conspicuous as a result. Refurbishment of this structure, will also remove a significant health and safety risk, that is likely to worsen in the short term if not suitably addressed, given its proximity to the public footpath and vehicular access to the Avenue Car Park.

It is also recommended that work also be undertaken to the adjacent Dalmally Arch, also a Category A listed building in Council ownership, at the same time to complete the restoration of this prominent structure in the village.

2.3 Finance

Estimated costs for essential repairs to the Avenue Screen were produced by McLeman QS Network in 2016: £157,828.40 including professional fees (ex VAT).

The business case proposes that £80k of council funding be allocated to the Avenue Screen project. It is anticipated that this will attract grant funding of £77,828.40 from Historic Environment Scotland. In addition it is recommended that a further £20k of council funding be allocated to the adjacent Council owned Dalmally Arch, making £100k in total from the Council, to allow the delivery of the final phase of refurbishment of the Dalmally Arch that will involve the painting and all necessary masonry works.

2.4 Risks

Health and safety risk in future given its proximity to the public footpath and also given that it provides the main vehicular access to the avenue car park.

2.5 Success Measures:

- Enhance the benefits of the investment and resulting physical enhancement secured through the CARS project
- Protect and enhance the character and appearance of Inveraray's main Front Street Façade
- Attracts £77,828.40 grant funding from Historic Environment Scotland
- Enhance tourism and visitor satisfaction
- Protect against potential future health and safety liabilities
- Any resulting benefits would be realised in a short space of time as the project could commence quite quickly once funding is secured

2.6 Expenditure Profile

The monies are anticipated to be spent during 2017/18.

Pippa Milne, Executive Director of Development and Infrastructure
Councillor Aileen Morton, Policy Lead, Economic Development

26 May 2017

For further information contact:

Feargal de Buitel  ir

Inveraray Conservation Area Regeneration Scheme (CARS) Officer

Phone 01546 604004

Feargal.De_Buiteleir@argyll-bute.gov.uk

Morag Cupples

Principal Accountant

Phone 01546 604878

Morag.Cupples@argyll-bute.gov.uk

ARGYLL AND BUTE COUNCIL**COUNCIL****DEVELOPMENT &
INFRASTRUCTURE SERVICES****29 JUNE 2017**

ROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**ROTHESAY PAVILION**

1. INTRODUCTION

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

Rothesay Pavilion is a Category A Listed building being that it is 'one of the most significant pleasure buildings of the style in the country, surviving in remarkably intact condition' (Buildings at Risk register for Scotland). It is a building of national significance, a fact which was re-enforced when it was recently voted as being in the Top 10, of the Top 100 Scottish Buildings, built in the last century.

The refurbishment of Rothesay Pavilion is one of the council's CHORD projects. As a result of the Invitation to Tender, subsequent Value Engineering exercise and additional funding applications there is still a potential funding shortfall of between £622k and £3,347k. This proposal is to request that the council approves an additional underwriting of the Project Costs by a maximum of £1m bringing the maximum contribution that the council would be asked to make to £5.689m.

2.2 Strategic Outcomes:

The local economy would be stimulated, which supports the Council's Economic Development Action Plan and Single Outcome Agreement by:

- Delivering a refurbished building which will act as a major cultural and heritage venue;
- Providing a major visitor attraction with anticipated 77,000 visitors in the first year;
- Providing affordable office space for local SME's to grow their businesses and enhance their competitiveness;
- Creating Jobs;
 - 10 created within Rothesay Pavilion Charity and 1 retained
 - 6 created within other SME's hiring office space and 4 retained
- Training Apprentices, two apprenticeships will be created as a result of the works;

- Shop/gallery assistant
- Venue/tech assistant

These apprenticeships will offer training in how to manage a major venue and it is hoped that they will translate into permanent jobs.

2.3. Financial

Following a detailed Value Engineering exercise there is still a potential funding shortfall of between £621,813 and £3,346,721. We have approached a number of the external bodies providing funding support to the project to seek additional financial support from them, however this would not meet all of the shortfall. It is for this reason that we are recommending that the Council approves an additional underwriting of the Rothesay Pavilion project by a maximum of £1,000,000 i.e. the maximum total contribution that the Council would be asked to make is £5,689,000.

2.4 Risks

In preparation for the refurbishment works we undertook a significant strip out of the existing mechanical and electrical plant and equipment. A number of the internal finishes and fittings were also removed to enable us to undertake Asbestos Removal Works and key structural repairs. This means that in its current state the building is not suitable for occupation, so the options available to us would appear to be:

- Option 1: Cancel the refurbishment and leave the building as is. Whilst this would save the capital costs associated with the construction there would be on-going costs associated with the security of the building and preventing it deteriorating any further. This carries significant reputational risk for the Council given the buildings Listed Status and its prominent location in the town. We would also have to consider that: we may be required to repay some or all of the external funding already claimed; and the potential loss of jobs, in terms of those who previously worked within the building and might have sought re-employment following its refurbishment, those that are currently employed or would be employed by the RPC, and those jobs that might have been created out of the business start-up space, to have been provided in the building.
- Option 2: We undertake only those works necessary to make the building operational again i.e. back to the condition that it was in some 12 months ago. Again this would carry significant reputational risk for the Council and it is uncertain whether this would be affordable and/or represent value for money.
- Option 3: We continue to Re-Tender on the basis of the VE Exercise, seeking to reduce costs where possible and increase funding support for the project from external parties, whilst providing additional underwriting by the Council up to a maximum contribution of £5,689,000.

Pippa Milne, Executive Director of Development and Infrastructure
Councillor Gary Mulvaney, Depute Council Leader, Policy lead, Strategic Finance and Capital Regeneration Programme

29 May 2017

For further information contact:

John Gordon

CHORD Programme Manager

Phone 01369 708457

Johnwilliam.Gordon@argyll-bute.gov.uk

Morag Cupples

Principal Accountant

Phone 01546 604878

Morag.Cupples@argyll-bute.gov.uk

ARGYLL AND BUTE COUNCIL**COUNCIL**

**REPORT BY EXECUTIVE
DIRECTOR OF CUSTOMER
SERVICES & EXECUTIVE
DIRECTOR OF COMMUNITY
SERVICES**

29 JUNE 2017

PROPOSAL TO EARMARK FUNDS FROM GENERAL FUND RESERVE**NEW SCHOOLS PROJECT - ADDITIONAL COSTS****1. INTRODUCTION**

- 1.1 The purpose of this report is to request support in earmarking unspent budget for a specific purpose, in line with the Policy on End of Year Flexibility.

2. DETAIL**2.1 Initiative/Proposal**

- 2.1.1 It is proposed that £750,000 be earmarked from the 2016/17 favourable outturn to fund additional costs relating to the new schools projects.

2.2 Business Case

- 2.2.1 As a result of the new schools projects additional costs have been identified. These costs are out with the current new schools capital allocation but are required to fully fund the refurbishment of Dunoon Primary School.
- 2.2.2 The council has a number of ongoing construction projects which include the Oban, Campbeltown and Kirn New Schools Project as well as the refurbishment of Dunoon Primary School.
- 2.2.3 Oban High School, Campbeltown Grammar School and Kirn Primary School are at the construction stage. The Dunoon Primary School Design Build Direct Agreement (DBDA) project is approaching Contract Close. The contract that is to be entered into pursuant to the Scottish Government's hub initiative is the construction of a primary school with capacity for 300 primary pupils and 30 Early Learning and Child Care (ELCC) places.
- 2.2.4 Current costs for Dunoon Primary School are in the region of £750k in excess of the Capital Plan allocation.
- 2.2.5 The uplift in costs for the Dunoon Primary School project are due to a number of factors:
- An extended construction programme due to the complexities of the phasing of the works in order to keep the primary school fully operational over a period of 2 years;

- The extended programme has a knock-on effect on commodity prices, in particular for materials not required until the Phase 2 works commence, and inflation risk; and
- Dealing with a large refurbishment project as well as a Listed building, that has added an element of risk inbuilt to the costs

- 2.2.6 It should also be noted that the Dunoon Primary School project is a partial refurbishment with a new build element. The partial refurbishment brings additional risk in that the facility is an operational school and there is therefore limited scope to carry out intrusive surveys when scoping out the extent and cost of the works required.
- 2.2.7 There are, therefore, building elements within the refurbishment which may have inherent / latent defects or in which the precise amount and nature of rot or asbestos cannot be determined where additional cost risk may materialise. In that event, the cost risk would rest with the Council and would require additional funding. That is a matter that will be monitored closely during the construction period.
- 2.2.8 The earmarked sum will provide resource to enable the council to meet additional costs which are out with the main new schools projects current capital allocation.
- 2.2.9 It is anticipated that these additional costs will be required to be met out with the current project budget. It is therefore proposed that £750,000 be earmarked from 2016/17 favourable outturn to meet additional costs within 2017/18 and 2018/19.

2.3 Expenditure Profile

The sum of £750,000 will be spent from 2017/18 onwards.

Douglas Hendry
Executive Director of Customer Services
Ann Marie Knowles
Executive Director of Community Services
31 May 2017

APPENDIX 2

STRATEGIC FINANCE POLICY ON END OF YEAR FLEXIBILITY



1. INTRODUCTION

- 1.1 Given the tightening financial situation it is essential that the Council gives proper scrutiny to any proposal to earmark balances or carry forward funds. In particular the Council should seek to ensure funding that is carried forward is directed to and supports Council priorities in terms of corporate and service plans.
- 1.2 This note outlines the policy adopted by the Council for the earmarking and carry forward of surplus funds to future years.

2. POLICY

- 2.1 SMT agreed the seven situations where earmarking of the general fund reserve is permitted.
- 2.2 SMT agreed the protocol for use of reserves.

3. DETAIL

- 3.1 The Council hold a general fund reserve. It comprises the following elements:
 - A contingency for any unforeseen events or emergencies. The contingency is reviewed each year as part of the budget process.
 - The Strategic Housing Fund.
 - Balances held to support the following year's budget.
 - Earmarked funds as noted below.
- 3.2 At the end of each financial year any surplus for the year is added to the general fund reserve. At this time the Council have the opportunity to consider earmarking surplus funds.
- 3.3 There are seven situations where earmarking of the general fund reserve is permitted.
 - Unspent grant. On some occasions a grant is received in one financial year and will not be spent/fully spent until the following financial year. If the grant is not spent on the purpose intended the Council would have to return the unspent grant, therefore, the unspent grant is required to be held in the general fund and earmarked for that purpose next year.
 - Unspent third party contribution. The council may receive a contribution from third parties towards a project/work stream but the project spans more than one financial year. As with grant payments the contribution

APPENDIX 2**STRATEGIC FINANCE
POLICY ON END OF YEAR FLEXIBILITY**

would have to be repaid if not spent on the purpose it was intended for. In this instance, the unspent contribution is required to be held in the general fund and earmarked for that purpose next year.

- Unspent budget within the Devolved Management of Resources (DMR) Scheme of Delegation for schools. This allows for the carry forward of unspent budget within schools, partly to give flexibility over the school year as opposed to the Council's financial year. Unspent budget is required to be held in the general fund and earmarked for the school next year. This carry forward operates within the agreed scheme of delegation for school budgets.
- CHORD funding. Any budget allocated to the CHORD programme will be ring fenced and any unspent balance at the year-end will be carried forward to support the overall CHORD programme.
- Existing Legal Commitments.
- Scottish Government Initiatives. The council may receive additional funding from the Scottish Government to implement new Government initiatives or legislation. Any unspent funding at year end will be held in the general fund and earmarked for that purpose next year.
- Energy Efficiency Fund. Any savings generated from energy efficiency measures are to be pooled for reinvestment in additional projects which further reduce the Council's energy costs and carbon emission levels.

3.4 Outwith these seven situations noted above there will be no automatic carry forward of unspent budget. Any surplus arising from unspent budget within departments/services will be pooled and transferred into the general fund reserve.

4. PROTOCOL FOR USE OF RESERVES

4.1 There are exceptional circumstances where a proposal to earmark unspent budget may be considered. There is no set timetable for this.

- The Council's level of general reserve contingency must be fully met.
- The purpose for the earmarking must be linked to the objectives, priorities and targets as set out in the Council's Corporate Plan, Area Plans and Service Plans.
- There needs to be a business case that justifies the required expenditure.

APPENDIX 2

STRATEGIC FINANCE POLICY ON END OF YEAR FLEXIBILITY



- Consideration of the business case must take account of the future budgetary and financial outlook in order not to place undue financial pressure on the Council in the future.
- 4.2 Any requests to earmark unspent budget based on the criteria above must be submitted to the SMT in the first instance. SMT would assess the proposal and if it considers the proposal worthy of support would submit it to the Council with a recommendation. Proposals not supported by SMT will proceed no further.

Kirsty Flanagan
Head of Strategic Finance
30 May 2017

						Spending profile		
Ref	Service	Description	New Earmarking	Reason for Carry Forward	Plans for Use	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
COMMUNITY SERVICES:								
001	Education	GLAIF 2017/18 - GIFT	64,000	Third Party Contribution	Gaelic Immersion course For Teachers (GIFT) 2 Candidates.	64,000	0	0
002	Education	Scottish Attainment Challenge Innovation Fund	31,230	Unspent Grant	Better Movers and Thinkers Raise the Bar in Argyll and Bute - Across Seven Schools / Clusters.	31,230	0	0
003	Education	Ministry of Defence	33,992	Unspent Grant	Balance to be spent in accordance with the conditions of the grant.	33,992	0	0
004	Education	Education Scotland (CAST)	7,697	Unspent Grant	Grant award covers the School Academic Year therefore this earmarking is due for period 1st of April to 31st of July 2017.	7,697	0	0
005	Education	School (DSM) Carry-Forward	1,033,909	DMR Schools	To be spent in accordance with DSM regulations.	1,033,909	0	0
006	Education	GIRFEC	148,000	Scottish Government Initiatives	To support Argyll and Bute's contribution to implementing GIRFEC and the Children and Young Person (Scotland) Act to ensure compliance with legislation.	148,000	0	0
007	Education	Languages 1 + 2	75,008	Scottish Government Initiatives	This funding is for the specific purpose of supporting Argyll and Bute's contribution to implementing GIRFEC and the Children and Young Person (Scotland) Act to ensure compliance with legislation. Activity in Argyll and Bute will include developing specific resources, staff training and development, protocols and procedures in line with the GIRFEC practice model and national guidelines.	75,008	0	0
008	Education	National Improvement Framework (NIF)	120,000	Scottish Government Initiatives	The new National Improvement Framework was launched by the First Minister on 6 January 2015. This new framework is to be core in driving forward the raising attainment and closing the gap agenda. It is proposed that the Education service in 2017-18 continues to utilise funding to allow the continuation of the Literacy Development Officer and Numeracy Development Officer posts for a 12 month period - August 2017 to June 2018.	120,000	0	0
009	Community and Culture	NHS Highland - Physical Activity Coordinator	28,064	Third Party Contribution	Physical Activity Coordinator post in Helensburgh.	14,000	14,064	
010	Community and Culture	NHS Highland - Argyll Active	3,041	Third Party Contribution	To be spent in accordance with the NHS Argyll Active award conditions.	3,041	0	0
011	Community and Culture	Scottish Government - Community Choices PB Pilot	21,250	Unspent Grant	To be spent in accordance with the Community Choices Project - Participatory Budgeting Pilot.	21,250	0	0
012	Community and Culture	NHS Highland - Health and Wellbeing - Film Project	1,120	Third Party Contribution	OLI Health and Wellbeing - Film project.	1,120	0	0
013	Community and Culture	Scottish Funding Council - ESOL	8,927	Third Party Contribution	English for Speakers of Other Languages (ESOL) funding.	8,927	0	0
014	Community and Culture	Active Schools	17,055	Unspent Grant	Balance to be spent on targeted work linked to the Active Schools action plan and outcomes. Agreement has been sought from Sportscotland in respect of this.	17,055	0	0
015	Community and Culture	Community Sports Hubs	11,629	Unspent Grant	Balance to be spent on targeted work linked to the Active Schools - Sports Hub action plan and outcomes. Agreement has been sought from Sportscotland in respect of this.	11,629	0	0

Ref	Service	Description	New Earmarking	Reason for Carry Forward	Plans for Use	Spending profile		
						Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
016	Community and Culture	Third Sector Grant Funding - OLI	1,000	Previous Council Decision - Unspent Budget	The Policy and Resources Committee agreed that each Area Committee is permitted to carry forward a proportion of their grant budget, up to a total limit of 10%, in order to provide them with some flexibility in managing grants.	1,000	0	0
017	Community and Culture	Third Sector Grant Funding - H&L	375	Previous Council Decision - Unspent Budget	The Policy and Resources Committee agreed that each Area Committee is permitted to carry forward a proportion of their grant budget, up to a total limit of 10%, in order to provide them with some flexibility in managing grants.	375	0	0
CUSTOMER SERVICES:								
017	Improvement and HR	GLAIF 2017/18 - Iomairt Mhulie agus Idhe	17,157	Unspent Grant	Development Officer Post	17,157	0	0
018	Customer and Support Services	Benefit Admin Grant	70,520	Unspent Grant	Grant monies which would have to be repaid if not utilised for intended purpose. Relates to the introduction of Universal Credit flexibilities and involvement in plans for new Scottish Social Security Administration. These monies are committed to cover costs in 17/18 for temporary staff for administration of Discretionary Housing Payments for under occupancy cases which should have ceased but is now continuing for at least a further year.	70,520	0	0
019	Customer and Support Services	Council Tax Reduction Scheme	34,000	Unspent Grant	To fund the administration costs of Council Tax Reduction Scheme Administration in 2017/18 received late in March 2017. Cost of staff to carry out the benefits administration and increase take up of CTRS.	34,000	0	0
DEVELOPMENT AND INFRASTRUCTURE SERVICES:								
020	Economic Development	CHORD	143,799	CHORD	Delivery of CHORD Programme	0	143,799	0
OTHER:								
021	Strategic Housing Fund	Strategic Housing Fund	1,954,776	Strategic Housing Fund	Strategic Housing Fund. Council tax collected during 2016-17 from the second homes discount on properties. Requires to be earmarked as part of the Strategic Housing Fund balance.	no specific spending plan	0	1,954,776
022	Other	Energy Efficiency Fund	43,364	Energy Efficiency Fund	The Central Energy Efficiency Fund (CEEF) was launched by the Scottish Government in 2004 to support the delivery of energy efficiency and renewable energy measures to reduce carbon emissions in the Scottish Public Sector. The original Council allocation of funding was £286k and there were terms and conditions attached to the funding which included formally reporting to the SG on energy efficient measures implemented from the fund. Part of the stipulation of the funding was that any savings from energy efficiencies were reinvested into the fund in order that there was a revolving fund to continually reinvest in energy efficiency measures. The terms and conditions attached to the fund expired on 31 March 2016, however there is an expectation that local authorities will maintain a revolving energy efficiency fund to support future carbon reducing projects. Maintaining this fund also assists the Council to make progress towards reducing carbon emissions and therefore not only to secure savings in energy costs but also in the cost of Carbon Reduction Scheme Allowances.	no specific spending plan	0	43,364

						Spending profile		
Ref	Service	Description	New Earmarking	Reason for Carry Forward	Plans for Use	Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
			3,869,913			1,713,910	157,863	1,998,140

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
	ALL		Completed Projects During 2016-17	259,941	259,941	0	0	0	Previous Council Decision		0	0	0
	ALL		Completed Projects During 2016-17	234,750	234,750	0	0	0	Unspent Budget		0	0	0
CHIEF EXECUTIVES UNIT:													
001	Chief Executive Unit	Strategic Finance	AAT Training programme, Audit plan resource and a Converting to Digital records project	58,430	16,430	0	0	42,000	Unspent Budget	AAT Programme - This is part of the Strategic Finance medium to long term plan to "Grow your own" to plan for succession and ensure the quality of service provided. Audit plan resource - Completion of the Audit plan is Strategically important, on a Corporate level, due to the reliance the external auditors place on the internal audit function. Due to long term sickness, the Audit team requires funding to delay the release of a member of staff who has been accepted for voluntary redundancy. This will ensure the Audit plan is successfully completed. Converting to Digital Records project - This project has been created to covert all the Income Maximisation finance files (Homecare/Adult care etc) to digital. This will be done by employing a modern apprentice for a 2 year period. Once complete the efficiencies of information flow and access will generate savings within the finance team.	14,750	17,000	10,250
INTEGRATION SERVICES:													
002	Integration Services	Adult Care	Autism Strategy	12,426	2,496	0	0	9,930	Unspent Budget	Carry forward on monies received late in 2012-13 to fund the development of an autism strategy for both adults and children. Report to Community Services Committee 8th May 2014 noting The Health and Social Care Strategic Partnership are leading work in Argyll and Bute to develop services for clients with an Autism Spectrum Disorder (ASD). Work is underway and remainder of funding will be utilised in 2017-18 on planned training	9,930	0	0
003	Integration Services	Children and Families	Early Intervention (Early Years Change Fund)	227,314	186,879	0	0	40,435	Previous Council Decision	Fund established in 2012/13 to be spent over more than one year. Expenditure plan has been prepared.	40,435	0	0
COMMUNITY SERVICES:													
004	Community Services	Education	Developing Scotland's Young Workforce	51,639	41,389	0	0	10,250	Unspent Budget	Developing an Argyll & Bute foundational apprenticeship scheme, developing support for vulnerable young people to access training, developing key group knowledge of the local labour market in relation to post-school opportunities and delivering a prevocational programme for unemployed young people	10,250	0	0
005	Community Services	Education	Youth Employment Opportunities Fund	121,448	56,330	0	0	65,118	Previous Council Decision	Fund established in 2012/13 to be spent over more than one year. Monies will mainly be used for Modern Apprenticeship scheme, delays in implementation but there is now a spending plan in place.	30,000	35,118	0
006	Community Services	Education	School Campus Proposals - Dunoon and Campbeltown	333,227	173,245		0	159,982	Previous Council Decision	Additional revenue costs associated with development of new schools. Draw down as Schools project progresses and project costs are incurred.	119,987	39,995	0

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
007	Community Services	Community and Culture	Written in the Landscape Project	30,000	10,000		0	20,000		Written in the Landscape Project 2016-2018: A Project to Catalogue Argyll's Family and Estate Archives. The project will run until December 2018 and two Project Archivists will be employed to undertake the principal task of cataloguing and conservation. Funding for the project has come from a Heritage Lottery Fund (HLF) grant of £100,000 and the Council is required to commit a £30,000 contribution as match funding to the HLF grant for the duration of the project (£10K for each of the next three financial years).	10,000	10,000	0
CUSTOMER SERVICES													
008	Customer Services	Improvement and HR	Resourcelink Review	139,450	60,166	0	0	79,284	Unspent Budget	Fund the Resourcelink Project, which is improving efficiency and functionality in the Council's HR and payroll database. The RL5 Project is underway and I deliver improved and remote clocking, health and safety records, learning and development records and functionality that supports the delivery of savings in HROD through automation and the removal of paper processes.	79,284	0	0
009	Customer Services	Improvement and HR	Argyll and Bute Manager Programme	53,072	21,889	0	0	31,183	Unspent Budget	Fund the Argyll and Bute Manager training programme which has been extended. Over 200 managers have been trained and the funding is being used to roll this out across all managers, with a further 3 cohorts having been enrolled in 2016/17 for training to take place in 2017/18. Once full coverage has been achieved the training will become part of business as usual for Learning and Development.	20,789	10,394	0
010	Customer Services	Improvement and HR	Learning and Development	120,840	29,202	0	0	91,638	Unspent Budget	Training identified via PRDs, develop further E-Learning modules and the provision of Social Work degree and HNC qualifications. Original earmarked balance was to be spent over a 5 year period.	61,092	30,546	0
011	Customer Services	Improvement and HR	Growing our Own and Modern Apprentices	226,300	22,481	0	0	203,819	Unspent Budget	Develop a comprehensive programme to support and attract young people into jobs and careers in the council. Includes funding for a temporary Growing Our Own development officer, who has been in post since September 2016 to co-ordinate the programme.	22,109	181,710	0
012	Customer Services	Improvement and HR	Leadership Development	50,000	17,718	0	0	32,282	Unspent Budget	Support a programme of enhanced leadership development for both senior and team leaders, building on the skills that they already have and ensuring that they are prepared and able to meet the challenges of transformation that that council is facing.	21,522	10,760	0

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
013	Customer Services	Improvement and HR	Service Choices HR Team	149,283	93,903	0	0	55,380	Previous Council Decision	Fund a Service Choices team in HR to manage the HR process of redundancy, redeployment, retirement, contractual change and service re-design. This was agreed by Policy and Resources Committee on 20 August 2015. The Service Choices Programme is in its final year of implementation and the team are continuing to deal with redeployment, revised contracts and redundancy related to Year 3 implementation. The team will also pick up any employee related changes emerging from transformation or other service change.	55,380	0	0
014	Customer Services	Customer and Support Services	Pathfinder North - Scottish Wide Area Network Implementation	100,000	0	0	0	100,000	Unspent Budget	One-off costs to cover additional costs associated with the delay in the implementation of the new Scottish Wide Area Network (SWAN) connections under the new contract with Capita. Implementation was due to complete 21 September 2016 but is now expected to complete July 2017.	100,000	0	0
015	Customer Services	Customer and Support Services	Discretionary Housing Payments	35,730	15,812	0	0	19,918	Previous Council Decision	Additional funding from the Scottish Government for the 2014-15 allocation for Discretionary Housing Payments, agreed that this underspend can be carried forward to supplement monies available for DHPs in 2015-16 as it is expected that the allocation will reduce and this will allow for current priority levels to be maintained. This was reviewed by Policy and Resources Committee meeting on 16 March 2017 and recommended that the remaining balance be carried forward into 2017-18 to allow current priorities to be maintained.	19,918	0	0
016	Customer Services	Customer and Support Services	Scottish Government Funding - Welfare Reform/Discretionary Housing Payments (agreed at Council February 2014)	232,796	179,987	0	0	52,809	Previous Council Decision	The Council was allocated additional funding of £550k from the Scottish Government late in 2013-14 to provide additional Discretionary Housing Payments. The Council agreed to carry forward the balance of funding to support a range of welfare reform interventions. An updated spending plan for the funding was agreed by the Policy and Resources Committee in March 2017.	52,809	0	0
017	Customer Services	Facility Services	Campbeltown Office Rationalisation	60,000	55,500	0	0	4,500	Previous Council Decision	The Campbeltown Office Rationalisation has seen around 100 staff displaced from Witchburn Road to Kintyre House. The balance of the funding is to fund the move for the Assessors equipment and materials from Witchburn Road.	4,500	0	0
018	Customer Services	Facility Services	Asbestos Management	163,781	74,937	0	0	88,844	Previous Council Decision	Asbestos survey to be carried out for all of the Council properties. Reserves were approved to fund a 3 year programme of asbestos works, the original amount earmarked was £513k. The remaining monies will be spent during 2016-17.	88,844	0	0
019	Customer Services	Governance & Law	WWI Commemoration Event	25,000	0	0	0	25,000	Previous Council Decision	It was previously agreed at Council on 24 September 2015 to earmark monies to partly fund the WWI commemoration event, to be accommodated from within the Customer Services quitum position .	25,000	0	0
020	Customer Services	Governance & Law	Local Government Elections	300,000	26,571		0	273,429	Unspent Budget	The Scottish Local Government Elections will take place on Thursday 4th May 2017, the Council has a statutory duty to meet the costs of the election.	273,429	0	0

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
021	Customer Services	Customer and Support Services	Digital Transformation	0	0	0	172,000	172,000	Previous Council Decision	To fund the development of 11 digital transformation options and to support the work of the Transformation Board. Options were approved by the Administration on 3rd December for a series of spend to save activities. This option was agreed by Council in February 2017.	172,000	0	0
022	Customer Services	Customer and Support Services	Customer Contact Centre Replacement	94,680	62,364	0	0	32,316	Previous Council Decision	Policy and Resources Committee Decision of 19 March 2015. Revenue budget approved to fund the additional one-off revenue requirements to replace the Customer Contact systems. The balance is required to meet one off service choices saving in 2017-18 on system maintenance costs.	32,316	0	0
DEVELOPMENT AND INFRASTRUCTURE SERVICES:													
023	Development and Infrastructure	Executive Director of Development and Infrastructure	Transformational Change	100,000	5,999	0	0	94,001	Unspent Budget	This project seeks to accelerate the delivery of transformational changes in service delivery and operational efficiency. The fund will cover the costs of project management support. The potential savings achieved through changes to service delivery and operational efficiencies will exceed the costs incurred and deliver long term benefits to the Council and its customers.	94,001	0	0
024	Development and Infrastructure	Roads and Amenity Services	Street Lighting Survey	132,000	0	0	0	132,000	Unspent Budget	In order to ensure that the inventory is sufficiently robust to inform both an energy model and a lighting business case it is necessary to carry out an asset survey which will provide a high degree of inventory accuracy. As part of this process a robust protocol will be established that ensures that the inventory is monitored and kept up to date.	0	100,000	32,000
025	Development and Infrastructure	Roads and Amenity Services	Amenity Services introduction of management information system	135,500	20,000	0	0	115,500	Unspent Budget	To introduce WDM/TOTAL to provide accurate management information on the operation of Amenity Services. Funding was available in the 2013-14 budget for this project, which was agreed as part of the service review. Because of delays with progressing budget savings options this delayed the implementation of this project. This will be progressed further in 2017-18.	115,500	0	0
026	Development and Infrastructure	Roads and Amenity Services	Waste Management	130,000	0	0	0	130,000	Unspent Budget	Earmarking to fund the service over the next two years to enable the service delivery to be redesigned to reflect current known developments.	130,000	0	0
027	Development and Infrastructure	Roads and Amenity Services	3G pitches	750,000	0	0	0	750,000	Unspent Budget	Maintenance of 3G Pitches across Argyll & Bute. Subject to a report to April Council	353,000	397,000	0
028	Development and Infrastructure	Economic Development	Scottish Submarine Museum	40,000	0	0	0	40,000	Previous Council Decision	Commonwealth Submarine Pavilion; proposal to create a new Naval Submarine Museum in Helensburgh as a visitor attraction and celebrate the town's links with HM Faslane Naval Base. This was agreed as part of the 2014/15 Budget as a demand pressure by Council on 13 February 2014. The balance of the fund will be spent in 2017-18.	40,000	0	0

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
029	Development and Infrastructure	Economic Development	Hermitage Park HLF	280,000	35,000	0	0	245,000	Previous Council Decision	The aims of the scheme focus around the objectives of protecting the quality of the heritage of Hermitage Park thereby improving the quality of the experience, increase public engagement and the use of the park. The overall objective is to enhance the quality of the area as a place to live and work and in turn improve the overall quality of life in our communities This will be achieved through the following : 1 Restoration of the historic fabric including walled memorial garden, pond and gates, old mill remains, Hermitage Well and the Millig Burn paths, bridges and walls, 2 Restoration/reinterpretation of historic planting, including open up lines of site to improve safety of visitors, 3 Celebration of heritage through interpretation and community involvement – and upgrading of the paths and drainage to increase access to the Park, 4 Reconsideration of the recreational elements which include the children's play park, bowling green, tennis courts, putting green and recreational pavilion, shelter and toilets.	245,000	0	0
030	Development and Infrastructure	Economic Development	Rothsay Pavilion Essential repairs	306,400	0	0	0	306,400	Previous Council Decision	Essential repairs to deal with potential health and safety risks and to avoid further deterioration. Budget provision was approved by the Policy and Resources Committee on 21 August 2014.	306,400	0	0
031	Development and Infrastructure	Economic Development	Oban TIF (Tax Incremental Financing)	1,478,067	259,580	0	0	1,218,487	Previous Council Decision	Revenue budget approved to fund the Lorn Arc Incremental Financing (TIF) programme management. This balance will fund the programme office until 2019-20, any unspent amounts have been approved to be automatically carried forward at the year-end as agreed by Council on 22 January 2015.	332,000	886,487	0
032	Development and Infrastructure	Economic Development	Amberg-Sulzbach	0	0	-10,000	0	10,000	Previous Council Decision	One off funding to be set aside for the celebration of the 50th anniversary of the twinning arrangement between Argyll and Bute and Amberg-Sulzbach	10,000	0	0
033	Development and Infrastructure	Planning and Regulatory Services	Advice Services	55,000	24,460	0	0	30,540	Previous Council Decision	To provide certainty to existing providers while a review of advice services within Argyll and Bute is completed. Budget provision was approved by Council on 12 February 2015.	30,540	0	0
034	Development and Infrastructure	Planning and Regulatory Services	Development Policy	21,500	1,590	0	0	19,910	Unspent Budget	A: Professional quality printing of: Argyll and Bute Historic Environment Strategy and the Strategic Infrastructure Investment / Key Sites Action Programme B: Explore and deliver professional promotion and or refinement of the Where To Go Outdoors website which contains footpath guides.	19,910	0	0
035	Development and Infrastructure	Roads and Amenity Services	Waste Management	64,361	0	0	0	64,361		Will be used towards Waste Management longer term model. Delay in introduction of comingled collection due to legal issues that remain to be resolved, however monies will be required for waste management longer term model.	64,361	0	0
OTHER													

Unspent Budget/Non Automatic Carry Forward Earmarkings
Previously Agreed Amounts

Appendix 4

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016/17	Funds unearmarked	New Earmarking Agreed by Council During 2016/17	Closing balance	Reason for Carry Forward	Plans for Use	Spending profile		
											Amount Planned to be Spent in 2017/18	Amount Planned to be Spent in 2018/19	Amount Planned to be Spent from 2019/20 onwards
036	HQ Non Dept	n/a	Community Resilience Fund	95,417	7,090		0	88,327	Previous Council Decision	Fund established in 2012/13 to be spent over more than one year. Fund reduced at the Council meeting on 11 February 2016	Contingency balance - no spending plan for earmarked balance	Contingency balance - no spending plan for earmarked balance	88,327
				6,668,352	1,995,709	-10,000	172,000	4,854,643			3,005,056	1,719,010	130,577

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
	ALL		Completed Projects During 2016-17	434,862	434,862	0	0	Unspent Grant		
	ALL		Completed Projects During 2016-17	80,686	80,686	0	0	Unspent Third Party Contribution		
	ALL		Completed Projects During 2016-17	42,250	42,250	0	0	Existing Legal Commitment		
	ALL		Completed Projects During 2016-17	580,000	580,000	0	0	Previous Council Decision - Other		
	ALL		Completed Projects During 2016-17	1,209,616	1,209,616	0	0	DMR		
INTEGRATION SERVICES										
001	Integration Services	Adult Care	Sensory Impairment	16,000	6,000	0	10,000	Unspent Grant	Scottish Government	Funding has been received specifically from the Scottish Government to support activity around implementation of the See Hear recommendations and the identified priorities of individual Sensory Partnerships.
002	Integration Services	Children and Families	Criminal Justice Transformation Funding	50,000	10,110	0	39,890	Unspent Third Party Contribution	Scottish Government	Additional funding from SG to fund redesign work within Criminal Justice. Funds to be pooled with equivalent additional funding received by our CJ Partnership Partners to fund a transformation and development project across the three partner areas.
003	Integration Services	Children and Families	Social Work Training - Violence Against Women Training	2,809	0	0	2,809	Unspent Third Party Contribution	NHS	Grant funding from NHS. Will be used as a contribution to the funding package put in place for the implementation of MARAC, which is a multi agency process used to protect victims of domestic violence.
COMMUNITY SERVICES:										
004	Community Services	Community and Culture	Oban Community Sports Field	9,031	0	0	9,031	Unspent Third Party Contribution		To build up fund to enable replacement costs to be met.
005	Community Services	Community and Culture	Community Planning Partnership	3,432	0	0	3,432	Unspent Third Party Contribution	Community Planning Partners	Partner contributions for use as required.
006	Community Services	Community and Culture	NHS - Falls Prevention Training	5,000	2,861	0	2,139	Unspent Grant		To be spent in accordance with NHS - 'Falls Prevention Training' (staff are required to be trained to provide falls prevention interventions in Argyll & Bute).
007	Community Services	Community and Culture	NHS - Living Well Physical Activity	65,677	41,638	0	24,039	Unspent Grant		To be spent in accordance with the conditions of the NHS - Living Well Physical Activity post.
008	Community Services	Education	Psychology of Parenting	6,000	1,920	0	4,080	Unspent Grant		To support continuation of Incredible Years element of Psychology of Parenting programme.
009	Community Services	Education	NPDO Unitary Charge	500,000	0	0	500,000	NPDO		Unitary charge budget included for 2015-16 that was not required -agreed in February 2016 that this would be carried forward to be used towards the schools project.

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
	Community Services	Education	Scottish Government Initiatives: Developing the Young Workforce GIRFEC Languages 1+2	307,000	14,097	0	292,903	Scottish Government Initiatives	Scottish Government	Developing the Young Workforce: Developing an Argyll & Bute foundational apprenticeship scheme, developing support for vulnerable young people to access training, developing key group knowledge of the local labour market in relation to post-school opportunities and delivering a prevocational programme for unemployed young people. Grant received from the Scottish Government for this purpose. GIRFEC: This grant funding is for the specific purpose of supporting Argyll and Bute's contribution to implementing GIRFEC and the Children and Young Person (Scotland) Act to ensure compliance with legislation. Activity in Argyll and Bute will include developing specific resources, staff training and development, protocols and procedures in line with the GIRFEC practice model and national guidelines. Languages 1+2: Grant provided for implementing the Scottish Government's 1+2 languages policy for Primary schools. The Scottish Government have confirmed that any unspent funding can be put into reserves for spend later.
	Community Services	Education	National Improvement Framework (NIF)	103,000	64,835	0	38,165	Scottish Government Initiatives	Scottish Government	The new National Improvement Framework was launched by the First Minister on 6 January 2015. This new framework is to be core in driving forward the raising attainment and closing the gap agenda. Funding was agreed by Education Services in 2015/16 to support schools in raising the attainment agenda by the allocation of staff to each school for a set period of time to address literacy and numeracy developments. It was not possible to fully utilise these funds as appropriate supply cover could not be sourced due to the local and national staffing problems during session 2015/16. It is proposed that the Education service in 2016/17 will utilise the funding as follows: (a) Literacy Development Officer for 12 months from August 2016; (b) Numeracy Development Officer for 12 months from August 2016; (c) Travel Costs; and (d) Resources.
CUSTOMER SERVICES:										
010	Customer Services	Customer and Support Services	Benefit Admin Grant	93,523	0	0	93,523	Unspent Grant	DWP Grant	Grant monies which would have to be repaid if not utilised for intended purpose. Benefit Administration activities in the build up to the migration of Housing Benefit to Universal Credit – migration to full service now deferred till May 2018. These monies are committed to cover ongoing Benefit Administration Activities in 17/18 and 18/19 in the build up to the migration of Housing Benefit to Universal Credit.

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
011	Customer Services	Customer and Support Services	Council Tax Reduction Scheme	122,000	0	0	122,000	Unspent Grant	Scottish Government	Additional funding from Scottish Government to meet additional costs of implementation. Funds are required for 2017-18 to part fund system replacement with improved online facilities and digital claim form. A business case has shown that this should provide significant future savings.
012	Customer Services	Customer and Support Services	Housing Benefit Admin Grant	73,422	71,826	0	1,596	Unspent Grant		Additional Housing Benefit grant monies received during 2015-16 for FERIS incentive payments and maintenance fund bids, software enhancements, new burdens funding for SFIS and DHP administration. These monies will be spent during 2016-17 on temporary staff to cover Discretionary Housing Payments.
013	Customer Services	Governance & Law	Community Safety Partnership	21,538	0	0	21,538	Existing Legal Commitments	n/a	Corporate Initiative with specific funding to deliver a project. To fund reconfiguration of Dunoon CCTV Scheme.
014	Customer Services	Governance & Law	CCTV Maintenance	14,885	0	0	14,885	Unspent Third Party Contribution	Funds transferred from external bodies to maintain systems for future years.	Council Decision of 20 Sept 2007.
015	Customer Services	Governance & Law	CCTV Maintenance	60,000	0	0	60,000	Unspent Grant	Funds transferred from external bodies to maintain systems for future years.	Maintenance of CCTV systems. Funds transferred from external bodies to maintain systems for future years.
016	Customer Services	Improvement and HR	Bord na Gaidhlig	76,390	15,530	0	60,860	Unspent Grant		Grant funding from Bord na Gaidhlig.
017	Customer Services	Facility Services	Contingent Liability - Capital Project	750,000	0	0	750,000	Existing Legal Commitments		There is a contingent liability in respect of the capital plan. The earmarked amount is an estimate and any unrequired amount would be released back into the general fund. It was the intention that any amount would be accommodated from within the favourable Customer Services 2015-16 outturn position.
018	Customer Services	Executive Director of Customer Services	NPDO Underspend	540,000	0	0	540,000	NPDO		Contract management underspends with the NPDO - agreed in February 2016 that this would be carried forward to be used towards the schools project.
DEVELOPMENT AND INFRASTRUCTURE SERVICES:										

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
019	Development and Infrastructure	Roads and Amenity Services	Street Lighting Survey	43,000	0	0	43,000	Unspent Grant	Scottish Government	In order to ensure that the inventory is sufficiently robust to inform both an energy model and a lighting business case it is necessary to carry out an asset survey which will provide a high degree of inventory accuracy. As part of this process a robust protocol will be established that ensures that the inventory is monitored and kept up to date. The Scottish Government have made available £2 million to local authorities to enable councils to explore energy efficiency investment in street lighting assets, Argyll and Bute share of this is £43k.
020	Development and Infrastructure	Economic Development	CHORD	96,105	0	0	96,105	CHORD		Delivery of CHORD Programme
021	Development and Infrastructure	Economic Development	Employability	456,000	134,462	0	321,538	Previous Council Decision - Other		The Councils Employability Team requested additional funding to complete the contractual obligation to deliver a Welfare to Work programme. The additional funding was agreed at the Council meeting on 29 October 2015.
022	Development and Infrastructure	Roads and Amenity Services	Mercury Abatement - Crematorium	94,150	0	0	94,150	Unspent Third Party Contribution	Mercury Abatement Fund	Part fund replacement cremator.
023	Development and Infrastructure	Roads and Amenity Services	Playing Fields - all weather facility	22,240	0	0	22,240	Unspent Third Party Contribution		Monies from users carried forward to fund repairs & maintenance of all weather playing fields.
024	Development and Infrastructure	Roads and Amenity Services	Christmas Lights	300,000	92,000	0	208,000	Previous Council Decision - Other		Funding for Christmas Lights over a period of 3 years was agreed at the Council meeting on 11 February 2016.
025	Development and Infrastructure	Economic Development	Hebridean Air Service contract	85,000	28,275	28,450	28,275	Previous Council Decision - Other		Agreed at Council Meeting June 2015. It was agreed that the costs would be covered by reserves.
026	Development and Infrastructure	Economic Development	Waverley	10,000	0	10,000	0	Previous Council Decision - Other		Previously agreed in 2013-14.
027	Development and Infrastructure	Roads and Amenity Services	Contingent Liability	250,000	101,674	0	148,326	Existing Legal Commitments		There is a contingent liability in respect of a legal case. The earmarked amount is an estimate and any unrequired amount would be released back into the general fund. Due to the favourable year-end variance within D&I this provision can be accommodated from within 2015-16 budget.
OTHER:										

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
028	HQ Non Dept	n/a	Revenue Contribution to Capital for Dunoon and Campbeltown Schools	115,000	0	0	115,000	NPDO		£6m (originally £3m) is directly earmarked for schools project. The balance of £6.5m (originally £9.5m) is allocated for investment in affordable housing via the Strategic Housing Fund. The rationale for this is that the investment would generate sufficient surplus to meet the borrowing costs of £6.5m to support the schools project. At the Council meeting on 11 February 2016, it was agreed that £5.885m be released back to the general fund to comply with ESA 10 regulations. The remaining balance has no spending plan.
029	Other	NPDO	NPDO Refinancing gain	1,650,000	0	0	1,650,000	NPDO		Refinancing gain for NPDO schools - agreed in February 2016 that this would be carried forward to be used towards the schools project.
030	HQ Non Dept	n/a	Investment in Affordable Housing	5,000,000	0	0	5,000,000	Investment in Affordable Housing		Agreed at Council Meeting 11 February 2016. This was reduced from £6.5m to £5m.
031	HQ Non Dept	n/a	Strategic Housing Fund	6,581,460	2,360,989	0	4,220,471	Strategic Housing Fund	n/a	Strategic Housing Fund. Council tax collected from second homes discount on properties, requires to be earmarked as part of the Strategic Housing Fund balance.
032	Non Departmental	Non Departmental	Innovation Fund	100,000	16,727	0	83,273	Transformation		Agreed at Council Meeting October 2015. Fund has been set up to provide support to internal ideas to generate income or reduce costs through efficiencies/redesign.
033	Non Departmental	Non Departmental	Investment in HubCo	491,791	0	0	491,791	Asset Management Investment		It was agreed at the Council meeting February 2016 that the investment in HubCo be supported. The earmarking has been updated to show the actual investment costs.
034	Non Departmental	Non Departmental	Service Choice Redundancy provision	3,500,000	1,178,525	0	2,321,475	Severance		Agreed at Council Meeting 11 February 2016. It was agreed that the costs of Redundancies due to Service Choice savings would be covered by reserves.
035	Non Departmental	Non Departmental	Helensburgh Waterfront Development	5,579,000	0	0	5,579,000	Helensburgh Waterfront		Agreed underwriting at the Council Meeting on 11 February 2016.
036	Non Departmental	Non Departmental	Regeneration and Economic sustainability in Lochgilphead & Tarbet.	3,000,000	0	0	3,000,000	ALIRI		Agreed at Council Meeting 11 February 2016.
037	Non Departmental	Non Departmental	Inward investment Fund	1,000,000	40,000	0	960,000	ALIRI		Agreed at Council Meeting 11 February 2016. This fund has been set up to generate economic and population growth within Argyll & Bute. The aim is to encourage business and people to set up and live in Argyll & Bute.
038	Non Departmental	Non Departmental	Asset Management Fund	2,000,000	0	0	2,000,000	Asset Management Investment		Agreed at Council Meeting 11 February 2016. This fund has been set up to allow the Council to invest monies where relevant to generate a return that will be reinvested within Argyll & Bute.
039	Non Departmental	Non Departmental	Flood Coastal Protection	200,000	0	0	200,000	Previous Council Decision - Other		Agreed at Council Meeting 11 February 2016.

Other Earmarked Balances
Previously Agreed Amounts

Appendix 5

Ref	Department	Service	Description	Amount Earmarked at 31 March 2016	Actual Spend 2016-17	Funds unearmarked	Remaining Balance at 31 March 2017	Reason for Carry Forward	Awarding Body if Grant or Contribution	Plans for Use
040	Non Departmental	Non Departmental	Tarbert Sports Pitches	170,000	0	0	170,000	Previous Council Decision - Other		Agreed at Council Meeting 11 February 2016.
041	Other	Energy Efficiency Fund	Energy Efficiency Fund	175,247	81,894	0	93,353	Energy Efficiency Fund		The Central Energy Efficiency Fund (CEEF) was launched by the Scottish Government in 2004 to support the delivery of energy efficiency and renewable energy measures to reduce carbon emissions in the Scottish Public Sector. The original Council allocation of funding was £286k and there were terms and conditions attached to the funding which included formally reporting to the SG on energy efficient measures implemented from the fund. Part of the stipulation of the funding was that any savings from energy efficiencies were reinvested into the fund in order that there was a revolving fund to continually reinvest in energy efficiency measures. The terms and conditions attached to the fund expired on 31 March 2016, however there is an expectation that local
042	Non Departmental	Non Departmental	Hermitage Park Underwriting	18,000	0	18,000	0	Previous Council Decision - Other		A report was considered in relation to Hermitage Park, Helensburgh at the Council meeting on 21 January 2016. The report advised that there was a current funding gap of circa £0.268m out of a £3.111m project. It was agreed at Council in February 2016 that an underwriting provision be made from the General Fund Balance, however, applications had been submitted to a range of external funders and the underwriting may not be required. The sum of £0.250m has been secured from the MOD Covenant Fund and therefore this amount can be released back into the General Fund balance. Funding from Sustrans has also been secured, however, the funding is conditional on the satisfaction of final designs. At this stage, it would be prudent to continue to earmark the remainder of the underwriting.
043	Non Departmental	Non Departmental	Rural Resttlement Fund	500,000	7,200	0	492,800	ALIRI		Agreed at Council Meeting 11 February 2016. This fund has been set up to develop ways in which the Council can encourage families to move into Argyll & Bute. This is aimed at slowing the population decline and attracting skilled workforces.
				36,604,114	6,617,977	56,450	29,929,687			

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL

COUNCIL

STRATEGIC FINANCE

29 June 2017

CAPITAL BUDGET MONITORING REPORT – 31 March 2017

1 EXECUTIVE SUMMARY

1.1 This provides an update on the position of the capital budget as at 31 March 2017. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

1.2 Following the review by the Council's External Auditors of Asset Management it has been agreed that more information in respect of Strategic Change Projects and capital receipts are included within the capital monitoring reports.

1.3 Financial Position:

- **Outturn for 2016-17** – Expenditure for the full financial year is £23,751k compared to an annual budget of £26,079k giving rise to an underspend for the year of £2,328k (8.9%). The main projects contributing to this underspend are outlined below and further detail can be found in Appendix 1.
 - NPDO Schools Solar PV Panel Installations (£221k). Final accounts have still to be agreed and retentions paid. Any savings are currently being evaluated.
 - Carbon Management Group Heating Conversion Project (£345k). Final accounts have still to be agreed and retentions paid. Any savings are currently being evaluated.
 - CHORD – Helensburgh (£194k). This is the remaining balance from the original project which will be spent in 2017/18.
 - CHORD – Campbeltown (£879k). An element of unspent funding to be moved to Campbeltown CARS as agreed. The remainder will be spent in 2017/18.
 - CHORD – Rothesay (£167k). Timing of works in relation to Rothesay Pavilion have been delayed and the budget will be spent over the remaining years of the project.
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £228,615k compared to a total budget for all projects of £227,453k giving rise to a forecast overspend for the overall capital plan of £1,162k (-0.51%). The forecast overspend is within the capital programme tolerances and requires no corrective action to be taken as the actual spend will only be determined when the projects are completed.

1.4 **Project Delivery:**

- **Asset Sustainability** – Out of 181 projects there are 168 projects (93%) on track and 13 projects (7%) off track and recoverable.
- **Service Development** - Out of 46 projects there are 33 projects (72%) on track and 13 projects (28%) off track and recoverable.
- **Strategic Change** – Out of 34 projects there are 22 projects (65%) on track and 12 projects (35%) off track and recoverable.

1.5 The Council has received capital receipts of £1,509k up to 31 March 2017 against a budget of £7,061k. Included in the receipts was £1,172k in respect of the first instalment of the receipt for Castle Toward. This delay in completing the sale of assets has no impact on the funding of the capital plan.

CAPITAL BUDGET MONITORING REPORT – 31 March 2017

2 INTRODUCTION

2.1 This provides an update on the position of the capital budget as at 31 March 2017. The report provides information on the financial position in respect of the capital plan and also the performance in terms of delivery of capital plan projects.

2.2 Financial Position:

- **Outturn for 2016-17** – Expenditure for the full financial year is £23,751k compared to an annual budget of £26,079k giving rise to an underspend for the year of £2,328k (8.9%). The main projects contributing to this underspend are outlined below and further detail can be found in Appendix 1.
 - NPDO Schools Solar PV Panel Installations (£221k). Final accounts have still to be agreed and retentions paid. Any savings are currently being evaluated.
 - Carbon Management Group Heating Conversion Project (£345k). Final accounts have still to be agreed and retentions paid. Any savings are currently being evaluated.
 - CHORD – Helensburgh (£194k). This is the remaining balance from the original project which will be spent in 2017/18.
 - CHORD – Campbeltown (£879k). An element of unspent funding to be moved to Campbeltown CARS as agreed. The remainder will be spent in 2017/18.
 - CHORD – Rothesay (£167k). Timing of works in relation to Rothesay Pavilion have been delayed and the budget will be spent over the remaining years of the project.
- **Total Capital Plan** – the forecast total net project costs on the total capital plan are £228,615k compared to a total budget for all projects of £227,453k giving rise to a forecast overspend for the overall capital plan of £1,162k (-0.51%). The forecast overspend is within the capital programme tolerances and requires no corrective action to be taken as the actual spend will only be determined when the projects are completed.

2.3 **Project Delivery:**

- **Asset Sustainability** – Out of 181 projects there are 168 projects (93%) on track and 13 projects (7%) off track and recoverable.
- **Service Development** - Out of 46 projects there are 33 projects (72%) on track and 13 projects (28%) off track and recoverable.
- **Strategic Change** – Out of 34 projects there are 22 projects (65%) on track and 12 projects (35%) off track and recoverable.

2.4 The Council has received capital receipts of £1,509k up to 31 March 2017 against a budget of £7,061k. Included in the receipts was £1,172k in respect of the first instalment of the receipt for Castle Toward. This delay in completing the sale of assets has no impact on the funding of the capital plan.

3 RECOMMENDATIONS

3.1 Note the contents of this financial summary.

4 OUTTURN FINANCIAL POSITION

4.1 Overall Position

Actual expenditure for the full year is £23,751k compared to a budget for the year of £26,079k giving rise to an underspend for the year of £2,328k (8.9%).

Project/Department Position

4.2

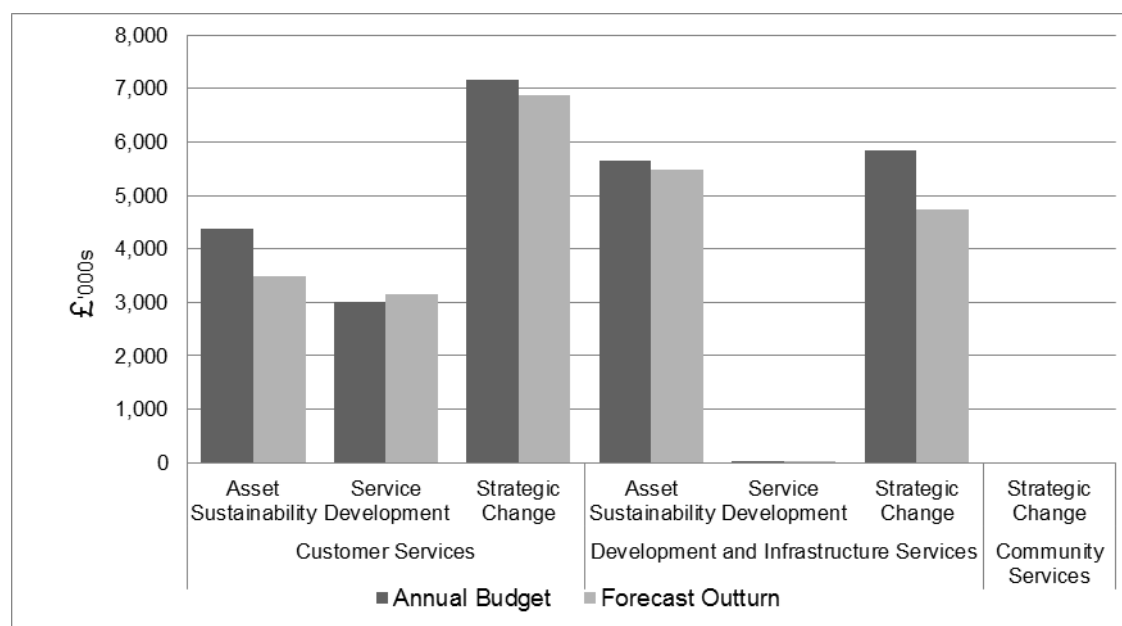
The table below shows the full year expenditure against the annual budget by project type and department:

Project Type:	Annual Budget £'000	Actual Outturn £'000	Variance £'000
Asset Sustainability	10,040	8,972	1,068
Service Development	3,025	3,173	(148)
Strategic Change	13,014	11,606	1,408
Total	26,079	23,751	2,328
Department:			
Customer Services	14,560	13,501	1,059
Development and Infrastructure Services	11,519	10,250	1,269
Community Services	0	0	0
Total	26,079	23,751	2,328

Material variances are explained in Appendix 1 and there are a number of small variances contributing to the actual outturn.

4.3 Chart of Outturn Variances

The graph below compares the actual expenditure against the budget for departments by project type (Asset Sustainability, Service Development and Strategic Change):



5 TOTAL PROJECT COSTS

5.1 Overall Position

The forecast total project cost on the total capital plan is £228,615k compared to a total budget for all projects of £227,453k giving rise to a forecast overspend for the overall capital plan of £1,162k (-0.51%).

5.2 Project/Department Position

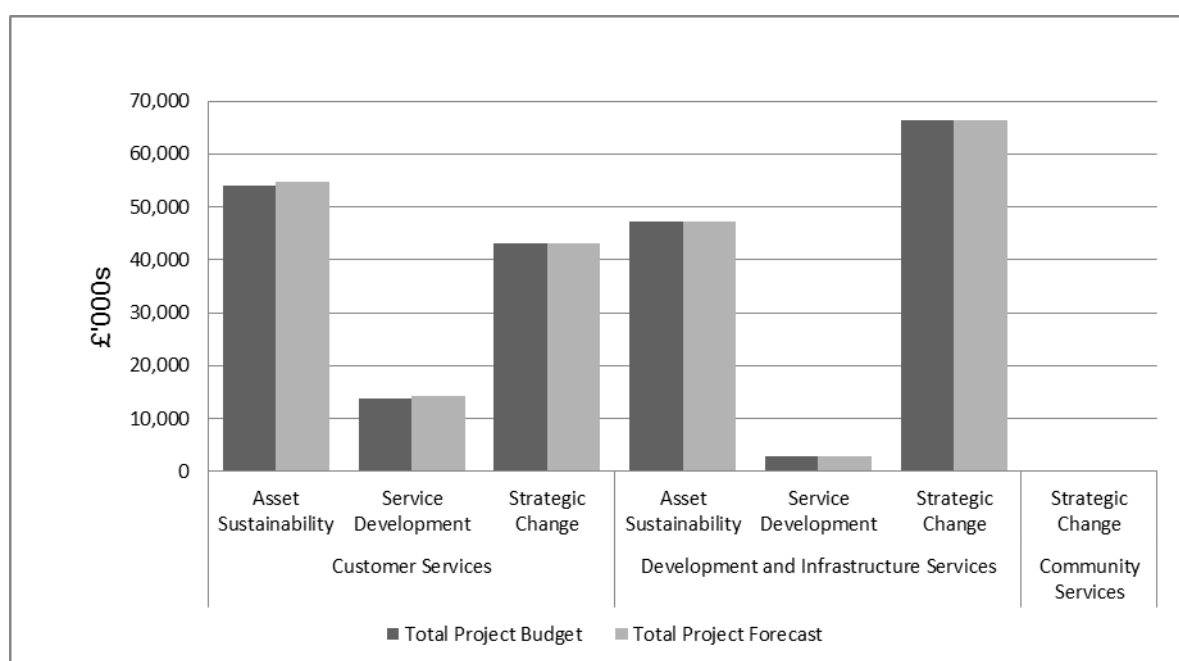
This table shows the forecast total project cost and the budget for total project costs by project type and department:

Project Type:	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000
Asset Sustainability	101,297	102,061	(764)
Service Development	16,744	17,125	(381)
Strategic Change	109,412	109,429	(17)
Total	227,453	228,615	(1,162)
Department:			
Customer Services	110,974	112,079	(1,105)
Development and Infrastructure Services	116,479	116,536	(57)
Community Services	0	0	0
Total	227,453	228,615	(1,162)

Material variances are explained in Appendix 2 and there are a number of smaller variances leading to the forecast overspend.

5.3 Chart of Total Project Costs

The graph below shows the total forecast position against full project budget for Departments by project type:



6 TOTAL PROJECT PERFORMANCE

6.1 Overall Position

There are 261 projects within the Capital Plan, 223 are Complete or On Target and 38 are Off Target and Recoverable.

6.2 Project Position

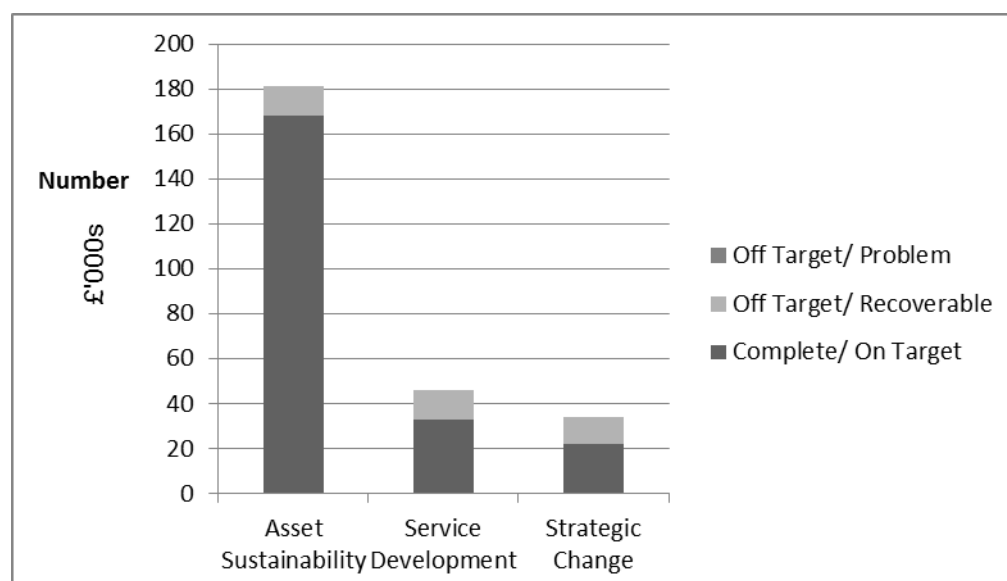
The table below shows the Performance Status of the Projects in the Capital Plan:

Project Type:	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Asset Sustainability	168	13	0	181
Service Development	33	13	0	46
Strategic Change	22	12	0	34
Total	223	38	0	261
Department:				
Customer Services	194	22	0	216
Development and Infrastructure Services	29	16	0	45
Total	223	38	0	261

Appendices 3, 4 and 5 show the Performance Status of the projects in further detail. Appendix 7 provides further information in relation to Strategic Change Projects.

6.3 Chart of Performance Status

The graph provides a view of the Performance Status of the Projects included in the Capital Plan:



7 OFF TRACK PROJECTS

- 7.1 There are currently no projects recognised as off track.

8 STRATEGIC CHANGE PROJECTS

- 8.1 Appendix 7 gives detailed information in respect of the Strategic Change Projects within the Capital Plan. The appendix gives details of the forecast cost of the project against the approved budget, the start and anticipated completion date of the project and an assessment of the risks of the project and if these are not green gives an explanation of the problem.

9 APPENDICES

- **Appendix 1** – 2016/17 Outturn finance variance explanations
- **Appendix 2** - Total Project finance variance explanations
- **Appendix 3** - Project Performance - Asset Sustainability
- **Appendix 4** - Project Performance - Service Development
- **Appendix 5** - Project Performance - Strategic Change
- **Appendix 6** - Financial Summary – Overall
 - Financial Summary – DIS
 - Financial Summary – Customer Services
- **Appendix 7** - Cumulative spend, completion dates and risks relating to significant capital projects.
- **Appendix 8** - Updated/Revised Capital Plan - Overall
 - Updated/Revised Capital Plan – Community Services
 - Updated/Revised Capital Plan – Customer Services
 - Updated/Revised Capital Plan – DIS

Kirsty Flanagan
Head of Strategic Finance
17th May 2017

Councillor Gary Mulvaney, Depute Council Leader – Policy Lead
Strategic Finance and Capital Regeneration Projects

APPENDIX 1 - Outturn Variance Explanations

Listed below are the projects where the variance is +/- £50k.

Project	Annual Budget £'000	Actual Outturn £'000	Variance £'000	Explanation
Bowmore Primary School	(50)	0	(50)	Additional works in previous years together with fees for asbestos and bat surveys have resulted in overspend which will be subject to a virement from underspends elsewhere.
Port Charlotte Primary School	62	5	57	Tender returns have come in well below budget; balance will be used for other projects within Education.
Small Isles Primary School	(62)	2	(64)	Additional work was required due to discovery of rot in roof structure. To be funded by underspends elsewhere within Education. Project Manager will consider where this negative budget can be funded from.
St Joseph's Primary School	55	1	54	Balances and retentions. Any underspend may be used to contribute to overspends elsewhere within Service.
Tiree High School	(76)	0	(76)	Overspend in previous years regarding rewiring/other works required to bring the school up to a reasonable standard. High costs of construction in Tiree. Project Manager to consider where this can be funded from.
Legionella Control Works	62	0	62	Works will be identified in 17/18 and budget utilised then.
Property Works – Contingency	328	205	123	Proposals being put together to vire excess budget towards overspends elsewhere within the Service.
Clyde Cottage – 600 hours provision	50	0	50	Design has been signed off and work is progressing towards a start on site in 2017/18.
Hermitage Primary Annexe Replacement	(70)	0	(70)	Extra work was required to retaining wall. Project Manager to identify surplus Education budgets which can fund this over spend.
St Joseph's Pre 5 Parenting Facilities	(58)	0	(58)	Overspends in previous years for family educational facilities. Project Manager will consider where this negative budget can be funded from within Education.
Tayvallich Primary School – Pre Five Unit	(60)	0	(60)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Replacement of Oban High School	93	227	(134)	Work is weather dependent therefore difficult to predict timing of cash flows. Budget will be utilised from future years and the project is on track to be completed within budget.
Kirn Primary School	3,706	4,048	(342)	Work is weather dependent therefore difficult to predict timing of cash flows. Budget will be utilised from future years and the project is on track to be completed within budget.
Rothsay Library	(53)	0	(53)	Additional works to alarm system and extensive repairs to roof/windows. Project Manager will consider where this can be funded from.

Lochgilphead Resource Centre	75	17	58	Due to start on site prior to end of March 2017. Propose to slip £58k to 2017/18 to reflect anticipated spend.
Children & Families – Health & Safety	77	0	77	Propose to vire £57k to other projects that are overspent leaving a £20k contingency to cover any works that may be required.
Archives – Wee Manse Brae	87	0	87	Archiving software still being developed with other Councils. Budget to be utilised in 17/18.
Dunoon Boxing Club	100	0	100	Transfer of funds to be agreed.
Riverside Leisure Centre Refurbishment	839	973	(134)	Additional funding required due to unforeseen emergency asset sustainability works.
Fire Risk Assessment Works 16/17	50	0	50	Budget to be utilised in 2017/18.
NPDO Schools Solar PV Panel Installations	222	1	221	Final accounts to be agreed and retentions paid. Any savings are currently being evaluated.
Non NPDO Schools Solar PV Panel Installations	97	8	89	Final accounts to be agreed and retentions paid. Any savings are currently being evaluated.
Carbon Management – Group Heating Conversion Project	1,733	1,388	345	Final accounts to be agreed and retentions paid. Any savings are currently being evaluated.
Helensburgh Office Rationalisation	98	178	(80)	Details of loss and expense claim received March 2017 and being considered.
Roads Reconstruction	4,069	3,987	82	Timing of cash flows. Budget to be utilised in 2017/18.
Public Convenience Upgrades	66	0	66	Programme for 2017/18 currently being prepared at which point the budget will be utilised.
CHORD – Helensburgh	211	17	194	This is the remaining balance from the original project which will be spent in 2017/18.
CHORD - Campbeltown	920	41	879	An element of unspent funding to be moved to Campbeltown CARS as agreed. The remainder will be spent in 2017/18.
CHORD - Dunoon	1,103	1,215	(112)	Expenditure accelerated to 2016/17 from future years.
CHORD – Oban	1,638	1,725	(87)	Expenditure accelerated to 2016/17 from future years.
CHORD – Rothesay	1,255	1,088	167	Timing of works in relation to Rothesay Pavilion have been delayed and the budget will be spent over the remaining years of the project.
Other Variances			887	Total value of non-material variances less than +/-£50k
Total			2,328	

APPENDIX 2 - Total Project Finance Variances

Listed below are the projects where the variance is +/- £50k.

Project	Capital Plan Budget £'000	Forecast Project Costs £'000	Capital Plan Variance £'000	Explanation
Bowmore Primary School	368	418	(50)	Additional works in previous years plus fees for asbestos and bat surveys have resulted in overspend. Virement from underspends elsewhere to be considered.
Small Isles Primary School	288	352	(64)	Additional work was required due to discovery of rot in roof structure. To be funded by underspends elsewhere within Education.
Tiree High School	899	975	(76)	Overspend in previous years regarding rewiring and other works required to bring the school up to a reasonable standard plus high costs of construction in Tiree. Project Manager will consider where this overspend can be funded from.
Tobermory High School	841	987	(146)	Overspend due to high costs of rewiring, replumbing and upgrades. Phase 3 budget to be approved for 2017/18 or funded from underspends elsewhere.
Hermitage Primary Annexe Replacement	765	835	(70)	Extra work was required to retaining wall. Project Manager to identify surplus Education budgets which can fund this over spend.
St Joseph's Pre 5 Parenting Facilities	75	133	(58)	Overspends in previous years for family educational facilities. Project Manager will consider where this negative budget can be funded from within Education.
Tayvallich Primary School – Pre Five Unit	430	490	(60)	Overspends in previous years. Project Manager will consider where this negative budget can be funded from.
Rothesay Library	210	263	(53)	Additional works to alarm system and extensive repairs to roof/windows. Project Manager will consider where this negative budget can be funded from.
Dunoon Boxing Club	100	0	100	Transfer of funds to be agreed.
Riverside Leisure Centre Refurbishment	924	1,086	(162)	Additional funding required due to unforeseen emergency asset sustainability works.
CHORD – Oban	7,190	7,256	(66)	Additional work required. Budget across projects to be amended.
Other variances			(292)	Total value of non-material variances less than +/-£50k
Total			(1,162)	

APPENDIX 3 – Asset Sustainability Project Performance

There are 181 Projects recognised as Asset Sustainability Projects, 168 are Complete or On Target and 13 are Off Target and Recoverable.

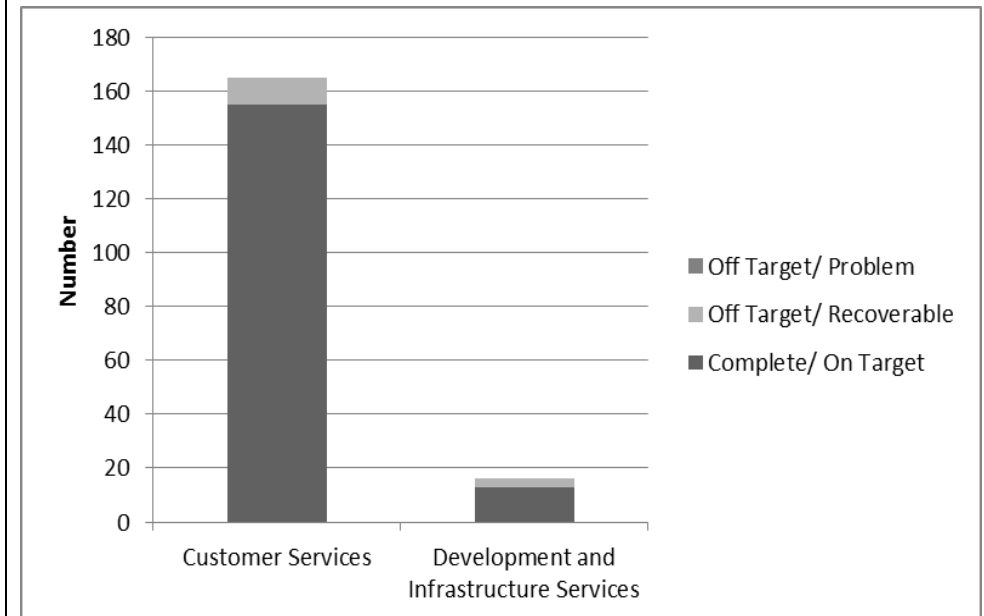
Department Position:

The table below shows the Performance Status of the Asset Sustainability Projects.

Asset Sustainability	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	155	10	0	165
Development and Infrastructure Services	13	3	0	16
Total	168	13	0	181

Chart of Asset Sustainability Performance Status

The graph provides a view of the Performance Status of the Asset Sustainability Projects:



APPENDIX 4 – Service Development Project Performance

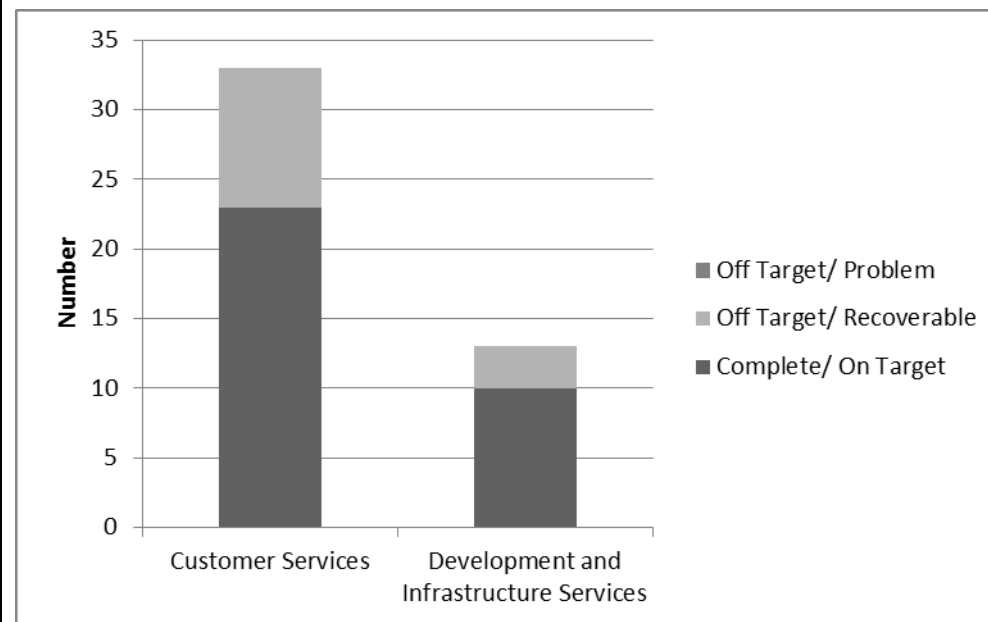
There are 46 Projects recognised as Service Development Projects, 33 are Complete or On Target and 13 are Off Target and Recoverable.

The table below shows the Performance Status of the Service Development Projects.

Service Development	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	23	10	0	33
Development and Infrastructure Services	10	3	0	13
Total	33	13	0	46

Chart of Service Development Performance Status

The graph provides a view of the Performance Status of the Service Development Projects:



APPENDIX 5 – Strategic Change Project Performance

There are 35 Projects recognised as Strategic Change Projects. 23 are Complete or On Target and 12 are Off Target and Recoverable.

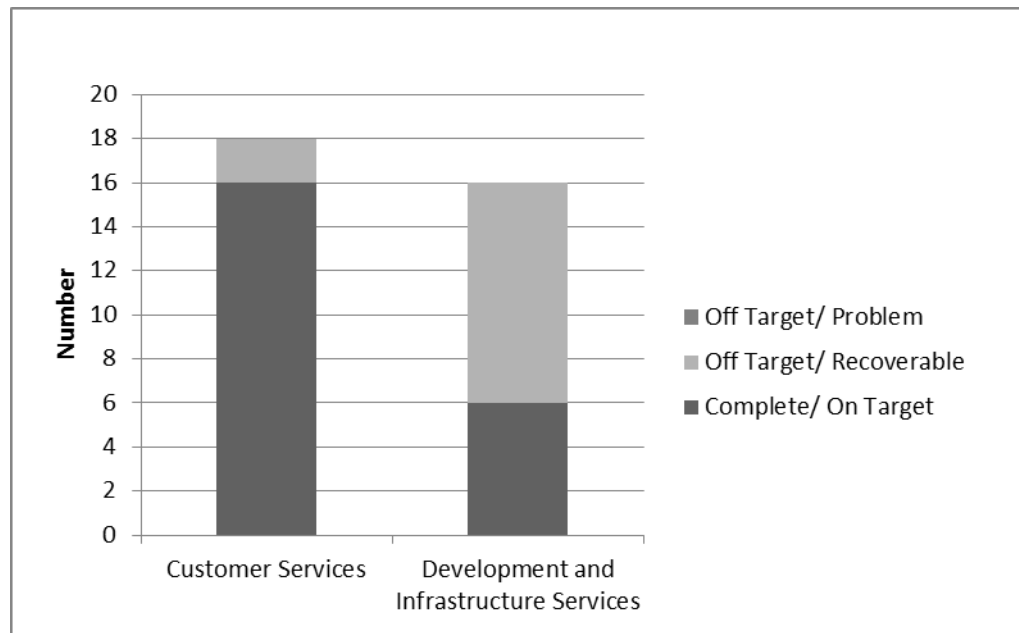
Department Position:

The table below shows the Performance Status of the Strategic Change Projects.

Strategic Change	Complete/ On Target	Off Target/ Recoverable	Off Target/ Problem	Total
Customer Services	16	2	0	18
Development and Infrastructure Services	6	10	0	16
Total	22	12	0	34

Chart of Strategic Change Performance Status

The graph provides a view of the Performance Status of the Strategic Change Projects:



ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL
FINANCIAL SUMMARY - NET EXPENDITURE

Appendix 6

31 March 2017

	Full Year This Financial Year Year End (Over)/Under			Total Project Costs (Over)/Under		
	Budget £000s	Actuals £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE						
Area Committee Expenditure - Asset Sustainability	44	0	44	69	25	44
Asset Sustainability Projects						
Customer Services	4,413	3,586	827	54,082	54,928	(846)
Development & Infrastructure Services	5,789	5,796	(7)	48,097	48,275	(178)
Asset Sustainability Total	10,202	9,382	820	102,179	103,203	(1,024)
Service Development Projects						
Customer Services	3,014	3,159	(145)	14,149	14,531	(382)
Development & Infrastructure Services	41	438	(397)	6,946	7,339	(393)
Service Development Total	3,055	3,597	(542)	21,095	21,870	(775)
Strategic Change Projects						
Campbeltown Schools Redevelopment	66	46	20	1,825	1,825	0
Dunoon Primary	375	358	17	9,259	9,259	0
Replacement of Oban High	93	227	(134)	3,205	3,205	0
Kirn Primary School	3,706	4,048	(342)	10,409	10,409	0
Carbon Management - Non Education	50	13	37	50	50	0
Carbon Management Business Cases	14	14	0	261	261	0
NPDO Schools Solar PV Panel Installations	222	1	221	944	944	0
Non NPDO Schools Solar PV Panel Installations	97	8	89	488	488	0
Carbon Management Fuel Conversions	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	39	39	0
Carbon Management - Group Heating Conversion Project	1,733	1,388	345	2,016	2,016	0
Islay HS/Bowmore PS Carbon Management	0	0	0	760	760	0
Kilmory Biomass Carbon Management	64	21	43	999	999	0
Oil to Gas Heating Conversions	27	0	27	209	209	0
Campbeltown Office Rationalisation	567	566	1	596	596	0
Helensburgh Office Rationalisation	98	178	(80)	11,838	11,838	0
Mid Argyll Offices Reorganisation	0	0	0	377	377	0
Tiree Shared Offices	10	0	10	10	10	0
Kintyre Renewables Hub	447	14	433	12,115	11,698	417
Campbeltown Flood Scheme	10	4	6	80	80	0
Street Lighting LED Replacement	1,012	1,012	0	1,012	1,012	0
Pier Upgrades	0	0	0	300	300	0
CHORD - Helensburgh	211	17	194	7,230	7,229	1
CHORD - Campbeltown	905	41	864	4,786	4,786	0
CHORD - Dunoon	1,103	1,215	(112)	11,521	11,521	0
CHORD - Oban	1,378	1,725	(347)	6,705	7,256	(551)
CHORD - Rothesay	655	1,088	(433)	4,520	12,545	(8,025)
Helensburgh Waterfront Development	28	33	(5)	18,387	18,387	0
TIF - Lorn/Kirk Road	41	32	9	238	238	0
TIF - North Pier Extension	204	171	33	560	560	0
TIF - Oban Airport Business Park	14	13	1	590	590	0
OBC for Dunoon Pier	41	45	(4)	2,830	2,834	(4)
Dunoon CARS	0	0	0	500	500	0
Hermitage Park	53	211	(158)	53	211	(158)
Glengorm Wind Turbine	428	393	35	437	437	0
Strategic Change Total	13,690	12,882	808	115,294	123,576	(8,282)
Total Expenditure	26,991	25,861	1,130	238,637	248,674	(10,037)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT - OVERALL COUNCIL
Appendix 6
FINANCIAL SUMMARY - NET EXPENDITURE
31 March 2017

	Full Year This Financial Year Year End (Over)/Under			Total Project Costs (Over)/Under		
	Budget £000s	Actuals £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
INCOME						
Asset Sustainability						
Customer Services	(71)	(96)	25	(91)	(116)	25
Development & Infrastructure Services	(135)	(314)	179	(860)	(1,051)	191
Asset Sustainability Total	(206)	(410)	204	(951)	(1,167)	216
Service Development Projects						
Customer Services	0	(16)	16	(316)	(332)	16
Development & Infrastructure Services	(30)	(408)	378	(4,035)	(4,413)	378
Service Development Total	-30	-424	394	-4,351	-4,745	394
Strategic Change Projects						
Helensburgh Office Rationalisation	0	0	0	(349)	(349)	0
Kintyre Renewables Hub	(376)	57	(433)	(3,798)	(3,381)	(417)
CHORD - Helensburgh	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	(695)	(695)	0
CHORD - Campbeltown	0	(15)	15	(120)	(135)	15
CHORD - Rothesay	0	(600)	600	0	(8,025)	8,025
CHORD - Oban	0	(260)	260	0	(485)	485
OBC For Dunoon Pier	(300)	(300)	0	(350)	(350)	0
Hermitage Park	0	(158)	158	0	(158)	158
Strategic Change Total	(676)	(1,276)	600	(5,882)	(14,147)	8,265
Total Income	(912)	(2,110)	1,198	(11,184)	(20,059)	8,875
Net Total	26,079	23,751	2,328	227,453	228,615	(1,162)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT						Appendix 6
FINANCIAL SUMMARY NET EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES						31 March 2017
	Full Year This Financial Year			Total Project Costs		
	Budget	Year End	(Over)/Under	Budget	Forecast	(Over)/Under
	£000s	Actual	Variance	£000s	£000s	Variance
		£000s	£000s			£000s
EXPENDITURE						
Asset Sustainability Projects						
Flood Prevention	2	1	1	533	533	0
Bridge Strengthening	460	478	(18)	1,938	1,938	0
Castle Lodge Building Works	15	16	(1)	130	130	0
Traffic Management	135	108	27	368	368	0
Roads Reconstruction	4,069	3,987	82	24,832	24,832	0
Lighting	50	50	0	1,703	1,703	0
Furnace Coastal Protection	78	100	(22)	100	134	(34)
Fleet	528	632	(104)	6,078	6,182	(104)
Environmental	225	161	64	811	811	0
Roads	0	0	0	0	0	0
Waste	32	48	(16)	200	200	0
Recreation and Sport	120	118	2	920	920	0
Crematoria and Burial Grounds	18	0	18	149	149	0
Pier	0	0	0	0	0	0
Block Allocation	0	0	0	9,935	9,935	0
EV Quick Chargers	57	97	(40)	400	440	(40)
Asset Sustainability Total	5,789	5,796	(7)	48,097	48,275	(178)
Service Development Projects						
A83 South of Muasdale	5	5	0	576	576	0
A849 Pennyghael Bridge Mull	5	1	4	131	131	0
Preliminary design for Regional Transport projects	0	0	0	221	221	0
Campbeltown Old Quay	1	1	0	1,424	1,424	0
Helensburgh Cycleways	30	29	1	2,622	2,638	(16)
Safe Streets, Walking and Cycling	0	26	(26)	376	377	(1)
SPFT	0	111	(111)	826	937	(111)
Fionnphort Village Hall Link	0	2	(2)	11	13	(2)
A815 Sandhaven to Inverack Footway	0	159	(159)	109	268	(159)
Kilmartin House	0	0	0	400	400	0
NVA	0	0	0	250	250	0
Footway - Letter Dail	0	104	(104)	0	104	(104)
Service Development Total	41	438	(397)	6,946	7,339	(393)
Strategic Change Projects						
Kintyre Renewables Hub	447	14	433	12,115	11,698	417
Campbeltown Flood Scheme	10	4	6	80	80	0
Street Lighting LED Replacement	1,012	1,012	0	1,012	1,012	0
Pier Upgrades	0	0	0	300	300	0
CHORD - Helensburgh	211	17	194	7,230	7,229	1
CHORD - Campbeltown	905	41	864	4,786	4,786	0
CHORD - Dunoon	1,103	1,215	(112)	11,521	11,521	0
CHORD - Oban	1,378	1,725	(347)	6,705	7,256	(551)
CHORD - Rothesay	655	1,088	(433)	4,520	12,545	(8,025)
Helensburgh Waterfront Development	28	33	(5)	18,387	18,387	0
TIF - Lorn/Kirk Road	41	32	9	238	238	0
TIF - North Pier Extension	204	171	33	560	560	0
TIF - Oban Airport Business Park	14	13	1	590	590	0
OBC For Dunoon Pier	41	45	(4)	2,830	2,834	(4)
Dunoon CARS	0	0	0	500	500	0
Hermitage Park	53	211	(158)	53	211	(158)
Glengorm Wind Turbine	428	393	35	437	437	0
Strategic Change Total	6,530	6,014	516	71,864	80,184	(8,320)
Net Departmental Expenditure	12,360	12,248	112	126,907	135,798	(8,891)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT				Appendix 6		
FINANCIAL SUMMARY NET EXPENDITURE - DEVELOPMENT AND INFRASTRUCTURE SERVICES				31 March 2017		
	Full Year This Financial Year			Total Project Costs		
	Budget	Year End	(Over)/Under			(Over)/Under
	£000s	Actual	Variance	Budget	Forecast	Variance
	£000s	£000s	£000s	£000s	£000s	£000s
INCOME						
Asset Sustainability						
Roads Reconstruction	0	0	0	(116)	(116)	0
Furnace Coastal Protection	(78)	(100)	22	(100)	(134)	34
Flood Prevention	0	(9)	9	0	(9)	9
Environmental Projects	0	(4)	4	0	(4)	4
Fleet	0	(104)	104	(244)	(348)	104
EV Quick Chargers	(57)	(97)	40	(400)	(440)	40
Asset Sustainability Total	(135)	(314)	179	(860)	(1,051)	191
Service Development Projects						
Helensburgh Cycleways	(30)	0	(30)	(2,774)	(2,744)	(30)
Safe Streets, Walking and Cycling	0	(25)	25	(80)	(105)	25
SPFT	0	(171)	171	(1,059)	(1,230)	171
Fionnphort Village Hall Link	0	0	0	(13)	(13)	0
A815 Sandhaven to Inverack Footway	0	(111)	111	(109)	(220)	111
Sustrans - Footway Letter Dail	0	0	0	0	0	0
CWSS - Footway Letter Dail	0	(101)	101	0	(101)	101
Service Development Total	(30)	(408)	378	(4,035)	(4,413)	378
Strategic Change Projects						
Kintyre Renewables Hub	(376)	57	(433)	(3,798)	(3,381)	(417)
CHORD - Helensburgh	0	0	0	(570)	(569)	(1)
Helensburgh Waterfront Development	0	0	0	(695)	(695)	0
CHORD - Campbeltown	0	(15)	15	(120)	(135)	15
CHORD - Rothesay	0	(600)	600	0	(8,025)	8,025
CHORD - Oban	0	(260)	260	0	(485)	485
OBC For Dunoon Pier	(300)	(300)	0	(350)	(350)	0
Hermitage Park	0	(158)	158	0	(158)	158
Strategic Change Total	(676)	(1,276)	600	(5,533)	(13,798)	8,265
Total Income	(841)	(1,998)	1,157	(10,428)	(19,262)	8,834
Net Departmental Total	11,519	10,250	1,269	116,479	116,536	(57)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT
FINANCIAL SUMMARY NET EXPENDITURE - CUSTOMER SERVICES

Appendix 6
31 March 2017

	Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
EXPENDITURE						
Area Committees - Asset Sustainability	44	0	44	69	25	44
Asset Sustainability						
Education	2,059	1,920	139	34,392	35,047	(655)
Community and Culture	526	454	72	4,062	4,203	(141)
Adult Care	349	143	206	2,694	2,710	(16)
Children and Families	147	4	143	660	699	(39)
Facility Services	586	333	253	3,822	3,825	(3)
Customer and Support Services	746	732	14	8,452	8,444	8
Asset Sustainability Total	4,413	3,586	827	54,082	54,928	(846)
Service Development Projects						
Graham Williamson IT Centre	0	0	0	0	0	0
Property Management System	5	5	0	84	84	0
Education Domain Extension	0	0	0	443	443	0
Consolidated Server Replacement	0	0	0	1,065	1,065	0
IT Enablement Process for Change	27	27	0	1,023	1,023	0
Applications Projects	170	163	7	1,173	1,173	0
Council Chamber Video Conferencing	0	0	0	116	116	0
Lync 2013	0	0	0	128	128	0
Ardrishaig Primary School - Pre 5 Unit	0	8	(8)	411	419	(8)
Bowmore Primary School - Pre 5 Unit	10	5	5	10	10	0
Bunessan Primary School - Pre 5 Unit	10	10	0	10	10	0
Clyde Cottage - 600 hour provision	50	0	50	413	413	0
Craignish Primary School - Pre 5 Extension	237	189	48	417	417	0
Hermitage Primary Annexe Replacement	(70)	0	(70)	765	835	(70)
Iona Primary School - Pre 5 Unit	324	322	2	474	474	0
Lochgoilhead Primary School - Pre 5 Unit	376	346	30	388	388	0
Lochnell Primary School - Pre Five Unit	(44)	0	(44)	210	254	(44)
Park Primary Extension/Pre Fives Unit	14	0	14	355	355	0
St Joseph's Pre Five Parenting Facilities	(58)	0	(58)	75	133	(58)
Strachur Primary School - Pre Five Unit	(1)	0	(1)	315	316	(1)
Tarbert High School - Biomass enabling work	0	0	0	35	35	0
Taynuilt Primary Additional Classroom	(11)	0	(11)	131	142	(11)
Tayvallich Primary School - Pre 5 Unit	(60)	0	(60)	430	490	(60)
Sandbank Gaelic Pre Five Unit	0	17	(17)	0	17	(17)
Early Learning and Childcare	184	217	(33)	1,002	1,002	0
Video Conferencing Upgrade	5	0	5	60	60	0
Mull & Iona Progressive Care Centre	7	0	7	772	772	0
Archives - Wee Manse Brae	87	0	87	128	128	0
Campbeltown All Weather Pitch	(47)	0	(47)	917	964	(47)
Dunoon Boxing Club	100	0	100	100	0	100
Riverside Leisure Centre Refurbishment	839	973	(134)	924	1,086	(162)
Carbon Management	0	0	0	0	0	0
Dunclutha Childrens Home	862	877	(15)	1,222	1,222	0
Dunoon Family Mediation Centre	(4)	0	(4)	55	59	(4)
Residential Respite Care Facility	2	0	2	498	498	0
Service Development Total	3,014	3,159	(145)	14,149	14,531	(382)
Strategic Change Projects						
Campbeltown Schools Redevelopment	66	46	20	1,825	1,825	0
Dunoon Primary	375	358	17	9,259	9,259	0
Replacement of Oban High	93	227	(134)	3,205	3,205	0
Kilm Primary School	3,706	4,048	(342)	10,409	10,409	0
Carbon Management - Non Education	50	13	37	50	50	0
Carbon Management Business Cases	14	14	0	261	261	0
NPDO Schools Solar PV Panel Installations	222	1	221	944	944	0
Non NPDO Schools Solar PV Panel Installations	97	8	89	488	488	0
Carbon Management Fuel Conversions	38	0	38	145	107	38
Carbon Management Capital Property Works 2016/17	0	0	0	39	39	0
Carbon Management - Group Heating Conversion Project	1,733	1,388	345	2,016	2,016	0
Islay HS/Bowmore PS Carbon Management	0	0	0	760	760	0
Kilmory Biomass Carbon Management	64	21	43	999	999	0
Oil to Gas Heating Conversions	27	0	27	209	209	0
Campbeltown Office Rationalisation	567	566	1	596	596	0
Helensburgh Office Rationalisation	98	178	(80)	11,838	11,838	0
Mid Argyll Offices Reorganisation	0	0	0	377	377	0
Tiree Shared Offices	10	0	10	10	10	0
Strategic Change Total	7,160	6,868	292	43,430	43,392	38
Total Expenditure	14,631	13,613	1,018	111,730	112,876	(1,146)

ARGYLL AND BUTE COUNCIL - CAPITAL PLAN MONITORING REPORT				Appendix 6		
FINANCIAL SUMMARY NET EXPENDITURE - CUSTOMER SERVICES				31 March 2017		
	Full Year This Financial Year			Total Project Costs		
	Budget £000s	Actual £000s	Variance £000s	Budget £000s	Forecast £000s	Variance £000s
INCOME						
Asset Sustainability						
Facility Services	(71)	(61)	(10)	(71)	(61)	(10)
Education	0	0	0	0	0	0
Community and Culture	0	(35)	35	(20)	(55)	35
Asset Sustainability Total	(71)	(96)	25	(91)	(116)	25
Service Development Projects						
Sandbank Gaelic Pre Five Unit	0	(16)	16	0	(16)	16
Campbeltown All Weather Pitch	0	0	0	(316)	(316)	0
Service Development Total	0	(16)	16	(316)	(332)	16
Strategic Change						
Helensburgh Office Rationalisation	0	0	0	(349)	(349)	0
Strategic Change Total	0	0	0	(349)	(349)	0
Total Income	(71)	(112)	41	(756)	(797)	41
Net Departmental Total	14,560	13,501	1,059	110,974	112,079	(1,105)

Strategic Change Projects	Capital Expenditure					Dates		Risks	
	Prior Years Spend £'000	Current Year Actual £'000	Future Years Forecast £'000	Total Project Forecast £'000	Total Project Budget £'000	Project Start Date	Estimated Completion Date	Project Risks Identified	Explanation if not Green
Campbeltown Schools Redevelopment	1,344	46	435	1,825	1,825	16/02/2012	30/11/2018	Green	
Dunoon Primary	330	358	8,571	9,259	9,259	18/12/2014	30/04/2019	Green	
Replacement of Oban High	1,815	227	1,163	3,205	3,205	24/04/2014	31/01/2019	Green	
Kirn Primary School	336	4,048	6,025	10,409	10,409	24/04/2014	31/10/2017	Green	
Carbon Management - Non Education	0	13	37	50	50	01/04/2015	31/03/2017	Green	
Carbon Management Business Cases	187	14	60	261	261	01/02/2014	31/03/2022	Green	
NPDO Schools Solar PV Panel Installations	722	1	221	944	944	26/06/2014	TBC	Green	
Non NPDO Schools Solar PV Panel Installations	391	8	89	488	488	20/03/2014	31/03/2017	Green	
Carbon Management Fuel Conversions	107	0	0	107	145	01/02/2014	31/03/2017	Green	
Carbon Management Capital Property Works 2016/17	19	0	20	39	39	01/02/2016	31/03/2017	Green	
Carbon Management - Group Heating Conversion Project	150	1,388	478	2,016	2,016	01/02/2016	31/08/2018	Amber	9 out of 10 projects complete. Final project approved for commencement.
Islay HS/Bowmore PS Carbon Management	760	0	0	760	760	20/09/2012	16/02/2016	Green	
Kilmory Biomass Carbon Management	935	21	43	999	999	20/09/2012	19/10/2016	Green	
Oil to Gas Heating Conversions	182	0	27	209	209	01/02/2012	31/03/2017	Green	
Campbeltown Office Rationalisation	29	566	1	596	596	01/02/2015	31/03/2017	Green	
Helensburgh Office Rationalisation	11,186	178	474	11,838	11,838	25/04/2013	03/07/2016	Amber	Temporary Certificate of Occupation has been extended to September 2017. Details of loss and expense claim received March 2017 and being considered.
Mid Argyll Offices Reorganisation	377	0	0	377	377	01/02/2009	31/03/2017	Green	
Tiree Shared Offices	0	0	10	10	10	01/02/2013	TBC	Green	
Kintyre Renewables Hub	11,368	14	316	11,698	11,698	01/05/2009	30/04/2017	Amber	Until final grant/audit position is clear some forecast expenditure moved into 2017-18.
Campbeltown Flood Scheme	0	4	76	80	80	01/08/2016	31/03/2023	Amber	Scottish Government will only give one year funding at a time and as project will be longer than one year future funding, although expected, cannot be confirmed.
Street Lighting LED Replacement	0	1,012	0	1,012	1,012	01/08/2016	16/12/2016	Amber	Fgrant will be triggered when delivery targets are met.
Pier Upgrades	0	0	300	300	300	01/12/2016	31/03/2017	Green	
CHORD - Helensburgh	6,347	17	865	7,229	7,229	29/09/2011	30/04/2015	Green	
CHORD - Campbeltown	3,419	41	1,326	4,786	4,801	25/06/2014	10/11/2015	Green	
CHORD - Dunoon	1,033	1,215	9,273	11,521	11,521	03/02/2012	09/03/2018	Amber	Queens Hall - The project includes a significant element of refurbishment to an existing building and the integration of a new built structure, the actual condition of the key areas of interface will become apparent once demolition works start.
CHORD - Oban	2,015	1,725	3,516	7,256	7,030	27/10/2016	31/07/2017	Amber	North Pier Oban CHORD project is reliant on external funding application and surplus money from Oban CHORD Public Realm project. In addition not all tenders have been received and progress of certain elements can be dependent on weather.
CHORD - Rothesay	798	1,088	10,659	12,545	12,716	01/04/2015	01/12/2018	Amber	Final costs remain uncertain until a tender is received in February 2017. Until then the project remains on amber.
Helensburgh Waterfront Development	211	33	18,143	18,387	18,387	01/04/2017	30/09/2020	Amber	At the early stages of the design process therefore still a degree of uncertainty with respect to costs and programme, which will be mitigated as the design process progresses.
TIF - Lorn/Kirk Road	78	32	128	238	238	22/01/2015	TBC	Amber	Phase 2 of HIE SAMS Park is reliant not only upon the Kirk Road improvement, but an upgraded A85(T) access. This is not within the gift of the Council or the TIF project. Confirmation needs to be gained from Transport Scotland as to the level of improvement anticipated here and whether HIE will implement it
TIF - North Pier Extension	14	171	375	560	560	06/12/2017	06/12/2018	Amber	Project at concept design stage. Seabed surveys have been undertaken. Economic impact assessment pending tender therefore still a degree of uncertainty with respect to costs and programme.
TIF - Oban Airport Business Park	413	13	164	590	590	22/01/2015	31/12/2017	Green	
OBC for Dunoon Pier	2,789	45	0	2,834	2,830	03/02/2012	26/02/2016	Green	
Dunoon CARS	0	0	500	500	500	01/04/2017	31/03/2022	Green	
Glengorm Wind Turbine	0	393	44	437	437	28/04/2016	30/11/2016	Green	
Strategic Change Total	47,355	12,671	63,339	123,365	123,359				

Project Risk Classifications:

Green - Risks can be managed and are viewed as stable or reducing.

Amber - Risks are increasing but are still manageable.

Red - Risks are increasing or have increased to such an extent they may affect delivery of the project.

**CAPITAL PLAN 2016-17
SUMMARY**

APPENDIX 8

Department	Head of Service	Previous Years £000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000s	Total £000's
Community Services	Adult Care	2,708	356	402	0	0	3,466
	Children and Families	1,068	1,007	335	25	0	2,435
	Community and Culture	3,838	1,555	788	0	0	6,181
	Education	32,796	7,265	16,513	6,137	1,880	64,591
Community Services Total		40,410	10,183	18,038	6,162	1,880	76,673
Customer Services	Customer and Support Services	9,195	948	815	564	962	12,484
	Facility Services	16,525	3,456	1,674	324	525	22,504
Customer Services Total		25,720	4,404	2,489	888	1,487	34,988
Development and Infrastructure	Economic Development	17,565	5,061	15,433	13,241	9,029	60,329
	Roads and Amenity Services	45,447	7,299	5,312	3,270	5,250	66,578
Development and Infrastructure Total		63,012	12,360	20,745	16,511	14,279	126,907
Area Committee	Area Committee	25	44	0	0	0	69
Area Committee Total		25	44	0	0	0	69
Grand Total		129,167	26,991	41,272	23,561	17,646	238,637

			Previous Years					
Head of Service	Category	Project	£000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000s	Total £000s
Adult Care	Asset Sustainability	Aids and Adaptations	75	25	25	0	0	125
		Ardfenaig	0	0	20	0	0	20
		Asbestos Removal/Control Works	11	9	0	0	0	20
		Eadar Glinn	229	17	70	0	0	316
		Ellis Lodge	58	6	0	0	0	64
		Health and Safety	973	92	60	0	0	1,125
		Legionella Control Works	8	32	0	0	0	40
		Lochgilphead Resource Centre	52	75	97	0	0	224
		Lorn Resource Centre	67	13	5	0	0	85
		Park House Women's Refuge	133	-11	0	0	0	122
		Social Work Office Rothesay	76	-1	0	0	0	75
		Struan Lodge Boiler	25	15	0	0	0	40
		Thomson Home Rothesay	124	53	125	0	0	302
		Upgrading Older Peoples Homes	0	25	0	0	0	25
		Woodlands/Greenwood	112	-1	0	0	0	111
	Asset Sustainability Total		1,943	349	402	0	0	2,694
	Service Development	Mull & Iona Progressive Care Centre	765	7	0	0	0	772
	Service Development Total		765	7	0	0	0	772
Adult Care Total		2,708	356	402	0	0	3,466	
Overall Total		2,708	356	402	0	0	3,466	

			Previous					
			Years	2016-17	2017-18	2018-19	Future Years	Total
Head of Service	Category	Project	£000's	£000's	£000's	£000's	£000s	£000s
Children and Families	Asset Sustainability	Asbestos Removal/Control Works	0	20	0	0	0	20
		Capital Property Works	0	0	0	0	0	0
		Dunclutha Children's Home	32	0	0	0	0	32
		Dunoon Hostel	252	-37	0	0	0	215
		East King St Children's Home	0	2	0	0	0	2
		Glencruitten Hostel	108	12	75	0	0	195
		Health and Safety	23	77	0	0	0	100
		Legionella Control Works	0	40	0	0	0	40
		Shellach View	23	33	0	0	0	56
	Asset Sustainability Total		438	147	75	0	0	660
	Service Development	Carbon Management	0	0	0	0	0	0
		Dunclutha Childrens Home	75	862	260	25	0	1,222
		Dunoon Family Mediation Centre	59	-4	0	0	0	55
		Residential Respite Care Facility	496	2	0	0	0	498
	Service Development Total		630	860	260	25	0	1,775
Children and Families Total			1,068	1,007	335	25	0	2,435
Overall Total			1,068	1,007	335	25	0	2,435

Head of Service	Category	Project	Previous Years £000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000's	Total £000's
Community and Culture	Asset Sustainability	Aqualibrium	33	150	167	0	0	350
		Asbestos Removal/Control Works	15	35	0	0	0	50
		Bute Community Education Centre	6	4	150	0	0	160
		Campbeltown Museum - Burnet Bldg	79	2	25	0	0	106
		Capital Property Works	46	64	0	0	0	110
		Catering & Cleaning Equipment - Community & Culture (CFCR)	11	2	0	0	0	13
		Community Centres General - Options Appraisal	0	15	0	0	0	15
		Corran Halls, Oban	425	101	4	0	0	530
		Dunoon Community Education Centre	159	18	0	0	0	177
		Gym Equipment - Community & Culture (CFCR)	16	72	0	0	0	88
		Health & Safety	256	-6	0	0	0	250
		Helensburgh Library	19	-2	0	0	0	17
		Inveraray CARS	0	21	0	0	0	21
		Kintyre Community Ed Centre	118	-4	0	0	0	114
		Legionella Control Works	18	22	0	0	0	40
		Lochgilphead Community Ed Centre	24	28	200	0	0	252
		Oban Library (Leased Property)	0	21	60	0	0	81
		Pools Furniture & Equipment - Community& Culture (CFCR)	7	4	0	0	0	11
		Ramsay Memorial Hall	146	54	5	0	0	205
		Replacement of Gym Equipment	0	0	0	0	0	0
		Rhu Community Ed Centre	127	12	0	0	0	139
		Rothesay Library	263	-53	0	0	0	210
		Rothesay Swimming Pool	115	8	0	0	0	123
		Sandbank Library HQ	12	13	0	0	0	25
		Tarbert Library	59	-6	0	0	0	53
		Victoria Halls, Campbeltown	586	-21	75	0	0	640
		Victoria Halls, Helensburgh	225	-28	85	0	0	282
	Asset Sustainability Total		2,765	526	771	0	0	4,062
	Service Development	Archives - Wee Manse Brae	41	87	0	0	0	128
		Campbeltown All Weather Pitch	964	-47	0	0	0	917
		Dunoon Boxing Club	0	100	0	0	0	100
		Riverside Leisure Centre Refurbishment	68	839	17	0	0	924
	Service Development Total		1,073	979	17	0	0	2,069
	Strategic Change	Carbon Management	0	50	0	0	0	50
	Strategic Change Total		0	50	0	0	0	50
Community and Culture Total			3,838	1,555	788	0	0	6,181
Overall Total			3,838	1,555	788	0	0	6,181

Head of Service	Category	Project	Previous Years £000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000s	Total £000s
Education	Asset Sustainability	Achaleven Primary School	4	82	26	0	0	112
		Ardchattan Primary School	0	8	12	0	0	20
		Ardishaig Primary School	205	-1	75	0	0	279
		Arinagour Primary School	83	0	48	0	0	131
		Asbestos Control/Removal Works	68	17	0	0	0	85
		Ashfield Primary School	87	-8	0	0	0	79
		Barcaldine Primary School	80	-11	0	0	0	69
		Block Allocation	0	0	0	2,199	1,880	4,079
		Bowmore Primary School	418	-50	0	0	0	368
		Bunessan Primary School	252	50	8	0	0	310
		Campbeltown Grammar	3,656	1	22	0	0	3,679
		Capital Property Works	824	10	0	0	0	834
		Cardross Primary School	586	211	5	0	0	802
		Carradale Primary School	27	44	110	0	0	181
		Castlehill Primary School	255	240	12	0	0	507
		Clachan Primary	174	4	44	0	0	222
		Colgrain Primary School	795	28	147	0	0	970
		Craignish Primary School	0	180	0	0	0	180
		Dalintober Primary School	267	2	28	0	0	297
		Dalmailly Primary School	68	15	10	0	0	93
		Dervaig Primary School	0	5	80	0	0	85
		Drumlemble Primary School	232	-18	175	0	0	389
		Dunbeg Primary School	430	4	250	0	0	684
		Dunoon Primary School	96	10	14	0	0	120
		Ferry Houses - Housing Quality Standard	42	26	0	0	0	68
		Free School Meals	477	73	0	0	0	550
		Furnace Primary School	104	-7	0	0	0	97
		Garelochhead Primary School	313	0	49	0	0	362
		Glassary Primary School	139	-7	0	0	0	132
		Glenbarr Primary School	73	22	135	0	0	230
		Hermitage Primary School	148	39	0	0	0	187
		Homeless Houses - Housing Quality Standard	10	40	0	0	0	50
		Innellan Primary School	99	4	0	0	0	103
		Internal Refurbishment Budget	0	0	200	0	0	200
		Inveraray Primary School	469	-27	0	0	0	442
		Iona Primary School	0	75	0	0	0	75
		Islay High School	4,060	30	167	0	0	4,257
		John Logie Baird Primary School	365	151	226	0	0	742
		Keills Primary School	312	-12	0	0	0	300
		Kilchattan Primary School	171	1	98	0	0	270
		Kilchrenan Primary School	28	-3	10	0	0	35
		Kilcreggan Primary School	488	6	67	0	0	561
		Kilmartin Primary School	17	3	100	0	0	120
		Kilmodan Primary School	196	0	39	0	0	235
		Kilninver Primary School	99	-6	0	0	0	93
		Kirn Primary School	54	22	10	0	0	86
		Legionella Control Works	78	62	0	0	0	140
		Lismore Primary School	61	1	19	0	0	81
		Lochdonhead Primary School	165	-30	0	0	0	135
		Lochgailhead Primary School	63	114	0	0	0	177
		Luing Primary School	74	0	16	0	0	90
		Luss Primary School	77	-12	0	0	0	65
		Minard Primary	51	0	0	0	0	51
		North Bute Primary School	342	24	0	0	0	366
		Oban High School	652	-16	0	0	0	636
		Park Primary School	502	22	0	0	0	524
		Parklands School	150	18	0	0	0	168
		Port Charlotte Primary School	275	62	0	0	0	337
		Port Ellen Primary School	494	-27	0	0	0	467

Head of Service	Category	Project	Previous Years £000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000s	Total £000s
Education	Asset Sustainability	Property Works - Contingency	24	328	320	0	0	672
		Rhu Primary School	33	-3	0	0	0	30
		Rhunahaorine Primary	80	57	40	0	0	177
		Rosneath Primary School	630	20	35	0	0	685
		Sandbank Primary School	509	-15	0	0	0	494
		School Houses - Housing Quality Standard	292	44	100	0	0	436
		Skipness Primary School	10	5	0	0	0	15
		Small Isles Primary School	350	-62	0	0	0	288
		Southend Primary School	0	29	1	0	0	30
		St Andrew's Primary School	313	2	9	0	0	324
		St Joseph's Primary School	495	55	0	0	0	550
		St Mun's Primary School	81	115	74	0	0	270
		Strachur Primary School	154	-1	0	0	0	153
		Strath of Appin Primary School	377	-37	0	0	0	340
		Strone Primary School	329	30	0	0	0	359
		Tarbert High School	0	40	0	0	0	40
		Taynuilt Primary School	120	4	0	0	0	124
		Tayvallich Primary School	108	-5	0	0	0	103
		Tighnabruach Primary School	117	-7	0	0	0	110
		Tiree High School	975	-76	0	0	0	899
		Tiree Primary School	225	-5	0	0	0	220
		Tobermory High School	805	36	0	0	0	841
		Toward Primary School	81	34	20	0	0	135
		Ulva Primary School	0	0	90	0	0	90
	Asset Sustainability Total		25,363	2,059	2,891	2,199	1,880	34,392
	Service Development	Ardrishaig Primary School - Pre Five Unit	411	0	0	0	0	411
		Bowmore Primary School - Pre Five Unit	0	10	0	0	0	10
		Bunessan Primary School - Pre Five Unit	0	10	0	0	0	10
		Clyde Cottage - 600 hours provision	0	50	363	0	0	413
		Craignish Primary School - Pre Five Extension (600 hours funding)	0	237	155	25	0	417
		Early Learning and Childcare	631	184	187	0	0	1,002
		Hermitage Primary Annexe Replacement	835	-70	0	0	0	765
		Iona Primary School - Pre Five Unit (600 hours funding)	0	324	150	0	0	474
		Lochgolhead Primary School - Pre Five Unit (600 hours funding)	0	376	12	0	0	388
		Lochnell Primary School - Pre Five Unit	254	-44	0	0	0	210
		Park Primary Extension and Pre Fives Unit	341	14	0	0	0	355
		Sandbank Gaelic Pre Five Unit	0	0	0	0	0	0
		St Joseph's Pre 5 Parenting Facilities	133	-58	0	0	0	75
		Strachur Primary School - Pre Five Unit	316	-1	0	0	0	315
		Tarbert High School - Biomass enabling work	0	0	35	0	0	35
		Taynuilt PS Addnl Classroom	142	-11	0	0	0	131
		Tayvallich Primary School - Pre Five Unit	490	-60	0	0	0	430
		Video Conferencing Upgrade	55	5	0	0	0	60
	Service Development Total		3,608	966	902	25	0	5,501
	Strategic Change	Campbeltown Schools Redevelopment	1,344	66	415	0	0	1,825
		Dunoon Primary School	330	375	4,772	3,782	0	9,259
		Kirn Primary School	336	3,706	6,236	131	0	10,409
		Replacement of Oban High School	1,815	93	1,297	0	0	3,205
	Strategic Change Total		3,825	4,240	12,720	3,913	0	24,698
Education Total			32,796	7,265	16,513	6,137	1,880	64,591
Overall Total			32,796	7,265	16,513	6,137	1,880	64,591

			Previous					
			Years	2016-17	2017-18	2018-19	Future Years	Total
Head of Service	Category	Project	£000's	£000's	£000's	£000's	£000s	£000s
Customer and Support Services	Asset Sustainability	Block Allocation	0	0	215	550	945	1,710
		Computer Network Security	625	18	4	0	0	647
		Corporate GIS Portal Rollout	116	9	10	14	17	166
		Internet / Online Access	242	30	0	0	0	272
		IT Education	279	0	0	0	0	279
		MS Exchange & Doc Sharing	307	65	27	0	0	399
		PC Replacement	2,323	424	353	0	0	3,100
		Server Capacity Growth	151	82	0	0	0	233
		Telecomms Network	789	118	0	0	0	907
		Unified Communications and Video Conferencing	739	0	0	0	0	739
	Asset Sustainability Total	5,571	746	609	564	962	8,452	
	Service Development	Applications Projects	798	170	205	0	0	1,173
		Consolidated Server Replacement (CRM)	1,065	0	0	0	0	1,065
		Council Chamber Video Conferencing	116	0	0	0	0	116
		Education Domain Extension	443	0	0	0	0	443
		IT Enablement Process for Change	996	27	0	0	0	1,023
		LYNC 2013	128	0	0	0	0	128
		Property Management System	78	5	1	0	0	84
		Service Development Total	3,624	202	206	0	0	4,032
		Customer and Support Services Total	9,195	948	815	564	962	12,484
Overall Total	9,195	948	815	564	962	12,484		

Head of Service	Category	Project	Previous Years £000's	2016-17 £000's	2017-18 £000's	2018-19 £000's	Future Years £000s	Total £000s
Facility Services	Asset Sustainability	Aqualibrium	23	5	0	0	0	28
		Argyll House, Dunoon	13	50	187	6	0	256
		Asbestos Capital Property Works 16/17	72	17	0	0	0	89
		Block Allocation	0	0	163	305	525	993
		Bowmore Area Office	32	5	0	0	0	37
		Burnett Building	72	4	0	0	0	76
		Capital Property Works 16/17	46	36	0	0	0	82
		Castle House, Dunoon	28	27	1	0	0	56
		Dunoon Office Rationalisation	3	0	220	7	0	230
		Eaglesham House, Rothesay	48	22	1	0	0	71
		Fire Risk Assessment Works 16/17	0	50	0	0	0	50
		High Street, Rothesay	2	11	1	0	0	14
		Hill Street Dunoon Rewire	2	0	32	1	0	35
		Joint Valuation Board	0	39	0	0	0	39
		Jura Service Point	11	8	1	0	0	20
		Kilarrow House	116	11	0	0	0	127
		Kilmory Castle	172	90	129	5	0	396
		Kilmory Castle 2012-13	142	1	0	0	0	143
		Legionella Capital Works 16/17	8	31	0	0	0	39
		Lorn House, Oban	94	9	0	0	0	103
		Manse Brae District Office	0	0	65	0	0	65
		Manse Brae Roads Office	0	39	33	0	0	72
		Mill Park Depot	0	71	0	0	0	71
		Oban Municipal Buildings	234	10	0	0	0	244
		Oban Office Rationalisation	0	3	0	0	0	3
		Old Quay Head Offices, Campbeltown	27	7	0	0	0	34
		Tobermory Area Office	32	5	72	0	0	109
		Union Street, Rothesay	76	2	0	0	0	78
		Whitegates	202	0	0	0	0	202
		Whitegates Office, Lochgilphead	7	27	2	0	0	36
		Willowview Oban	18	6	0	0	0	24
	Asset Sustainability Total		1,480	586	907	324	525	3,822
	Strategic Change	Campbeltown Office Rationalisation	29	567	0	0	0	596
		Carbon Management - Group Heating Conversion Project (Prudential Borrowing)	150	1,733	133	0	0	2,016
		Carbon Management Business Cases (FPB)	187	14	60	0	0	261
		Carbon Management Capital Property Works 16/17	19	0	20	0	0	39
		Carbon Management Fuel Conversions (FPB)	107	38	0	0	0	145
		Helensburgh Office Rationalisation (FPB,REC)	11,186	98	554	0	0	11,838
		Islay HS/Bowmore PS (FPB)	760	0	0	0	0	760
		Kilmory Biomass Project OBC (FPB,REV)	935	64	0	0	0	999
		Mid Argyll Offices Reorganisation	377	0	0	0	0	377
		Non-NPDO Schools PV Panel Installations	391	97	0	0	0	488
		NPDO Schools Solar PV Panel Installations	722	222	0	0	0	944
		Oil to Gas Heating Conversions (FPB)	182	27	0	0	0	209
		Tiree Shared Offices	0	10	0	0	0	10
	Strategic Change Total		15,045	2,870	767	0	0	18,682
Facility Services Total			16,525	3,456	1,674	324	525	22,504
Overall Total			16,525	3,456	1,674	324	525	22,504

			Previous Years	2016-17	2017-18	2018-19	Future Years	Total
Head of Service	Category	Project	£000's	£000's	£000's	£000's	£000s	£000s
Economic Development	Service Development	A815 Footway - Sandhaven to Inverreck	109	0	0	0	0	109
		Bishopton Road	0	0	0	0	0	0
		Fionnphort Village Hall Link	11	0	0	0	0	11
		Kilmartin House	0	0	0	400	0	400
		NVA	0	0	250	0	0	250
		Safe Streets, Walking and Cycling (CWSS)	351	0	8	8	9	376
		SPT	826	0	0	0	0	826
		Service Development Total		1,297	0	258	408	9
	Strategic Change	01 TIF - Lorn/Kirk Road	78	41	119	0	0	238
		05 TIF - North Pier Extension	14	204	342	0	0	560
		09 TIF - Oban Airport Business Park	413	14	163	0	0	590
		CHORD - Campbeltown	3,419	905	462	0	0	4,786
		CHORD - Dunoon	1,033	1,103	8,614	771	0	11,521
		CHORD - Helensburgh -Public Realm Imprv	6,348	211	671	0	0	7,230
		CHORD - Oban	1,790	1,378	3,266	271	0	6,705
		CHORD - Rothesay	173	655	162	3,530	0	4,520
		Dunoon CARS	0	0	500	0	0	500
		Glengorm Wind Turbine	0	428	9	0	0	437
		Helensburgh Waterfront Development	211	28	867	8,261	9,020	18,387
		Hermitage Park	0	53	0	0	0	53
		OBC for Dunoon Pier	2,789	41	0	0	0	2,830
		Strategic Change Total		16,268	5,061	15,175	12,833	9,020
Economic Development Total		17,565	5,061	15,433	13,241	9,029	60,329	
Overall Total		17,565	5,061	15,433	13,241	9,029	60,329	

			Previous Years	2016-17	2017-18	2018-19	Future Years	Total
Head of Service	Category	Project	£000's	£000's	£000's	£000's	£000s	£000s
Roads and Amenity Services	Asset Sustainability	Astro Pitch Repairs	0	17	713	20	0	750
		Block Allocation	0	0	1,631	3,054	5,250	9,935
		Bridge Strengthening	1,321	460	157	0	0	1,938
		Bute Local Capital Priorities	99	0	0	0	0	99
		Castle Lodge Building Works	18	15	97	0	0	130
		Cemetery Houses	32	18	0	0	0	50
		Environmental Projects	197	159	389	0	0	745
		EV Quick Chargers	343	57	0	0	0	400
		Fleet Management	5,550	528	0	0	0	6,078
		Flood Prevention	321	2	187	23	0	533
		Furnace Coastal Protection	22	78	0	0	0	100
		Glengorm - Capping	0	32	168	0	0	200
		Lighting	1,268	50	385	0	0	1,703
		Public Convenience Upgrades	0	66	0	0	0	66
		Roads Reconstruction	20,213	4,069	550	0	0	24,832
		Tarbert All Weather Sports Pitch	0	103	67	0	0	170
		Traffic Management	193	135	40	0	0	368
	Asset Sustainability Total	29,577	5,789	4,384	3,097	5,250	48,097	
	Service Development	A83 South of Muasdale	571	5	0	0	0	576
		A849 Pennyghael Bridge Mull	126	5	0	0	0	131
		Campbeltown Old Quay	1,375	1	48	0	0	1,424
		Cycleways - H&L (FSPT)	2,238	30	200	154	0	2,622
		Preliminary design for Regional Transport projects (tif)	192	0	20	9	0	221
	Service Development Total	4,502	41	268	163	0	4,974	
	Strategic Change	Campbeltown Flood Scheme	0	10	70	0	0	80
		Kintyre Renewables Hub (FGPB)	11,368	447	300	0	0	12,115
		Pier Upgrades	0	0	290	10	0	300
		Street Lighting LED Replacement	0	1,012	0	0	0	1,012
	Strategic Change Total	11,368	1,469	660	10	0	13,507	
	Roads and Amenity Services Total		45,447	7,299	5,312	3,270	5,250	66,578
Overall Total		45,447	7,299	5,312	3,270	5,250	66,578	

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE

COUNCIL
29 JUNE 2017

ANNUAL TREASURY REPORT 2016-17

1. EXECUTIVE SUMMARY

- 1.1 This report outlines the Council's Treasury Management position for 2016-17.
- 1.2 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual review of treasury management activities and the actual prudential and treasury indicators and submit this to Council. The report at Appendix 1 meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.3 The key points to note from the annual report are:
- Reporting requirements under the Code were met during 2016-17.
 - During 2016-17 the Council's External Borrowing Increased by £12.5m from £158.0m at 31 March 2016 to £170.5m at 31 March 2017. The increase was due to new borrowing from the Public Works Loans Board (PWLB) of £25.0m at historically low rates and an interest free loan of £0.4m from Salix in respect of the Street Lighting LED Project. This was offset by repayments of £8.9m to the PWLB and a reduction in temporary borrowing of £4.0m.
 - The savings in loan charges were £0.944m in 2016-17 through delaying borrowing and an overall reduction in interest rates.
 - The Capital Financing Requirement (excluding NPDO commitments) was £180m this is £9.5m higher than the Council's external debt. This difference has been financed by cash balances to reduce the interest payable as investment returns are considerably below the cost of new borrowing.
 - Investments at 31 March 2017 were £64m at an average rate of 0.660% compared to £46m at an average rate of 0.782% for 31 March 2016.
 - The average investment rate for 2016-17 was 0.639% compared to the average 7 day LIBID rate of 0.200%. The investments generated £0.636m of income.
 - The Asset Management Fund was invested in an enhanced Money Market Fund during 2016-17 to increase the rate of return while future long term investment of the fund is being assessed. The return on the fund was £20,640 a rate of return of 0.597%.
- 1.4 This report meets the Code requirement for a treasury annual report. The Council remains under borrowed (around 5% of the CFR is not supported by borrowing) but current borrowing and investment rates mean additional costs would be incurred to address this.

2. RECOMMENDATIONS

2.1 The Treasury Management Annual Report is approved.

3. IMPLICATIONS

3.1 Policy – None

3.2 Legal – None

3.3 Human Resources – None

3.4 Financial – None

3.5 Equal Opportunities – None

3.6 Risk – None

3.7 Customer Service – None

Kirsty Flanagan
Head of Strategic Finance
15 June 2017

Gary Mulvaney Policy Lead for Strategic Finance and Capital Regeneration Projects

For further information please contact Peter Cupples, Finance Manager – Corporate Support 01546-604183

Appendix 1 – Annual Treasury Report 2016-17

Appendix 1



**ANNUAL TREASURY
REPORT**

2016-2017

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2016/17 the minimum reporting requirements were that the full Council or the Policy and Resources Committee should receive the following reports:

- an annual treasury strategy in advance of the year (Council 11 February 2016)
- a mid-year (minimum) treasury update report (Policy and Resources Committee 15 December 2016)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, the Policy and Resources Committee has received treasury management update reports on 18 August 2016, 27 October 2016, 16 February 2017 and 16 March 2017.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give scrutiny to all of the above treasury management reports by the Performance Review and Scrutiny Committee.

2. The Economy and Interest Rates

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

3. Overall Treasury Position as at 31 March 2017

At the beginning and the end of 2016/17 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

	31 March 2016 Principal	Rate/ Return	Average Life yrs	31 March 2017 Principal	Rate/ Return	Average Life yrs
Total debt	£158m	5.5%	30.97	£171m	5.0%	33.7
CFR	£178m			£180m		
Over / (under) borrowing	(£20m)			(£9m)		
Total investments	£46m	0.8%		£64m	0.7%	
Net debt	£112m			£107m		

4. The Strategy for 2016/17

The expectation for interest rates within the treasury management strategy for 2016/17 anticipated low but rising Bank Rate, (starting in quarter 1 of 2017), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.

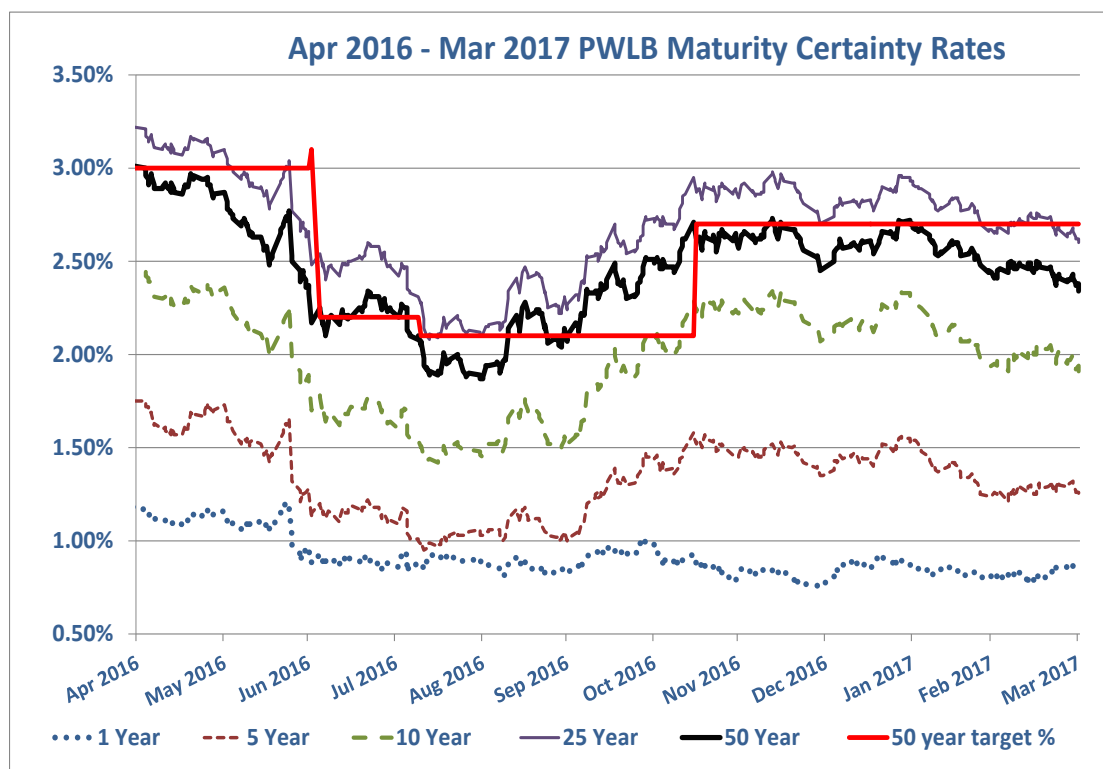
5. The Borrowing Requirement

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	31st March 2016 Actuals £M	31st March 2017 Budget £M	31st March 2017 Actuals £M
CFR - General Fund	254	266	254
Less NPDO	76	74	74
Net CFR	178	192	180

6. Borrowing Rates in 2016/17

Public Works Loans Board (PWLB) certainty maturity borrowing rates - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.



Borrowing Outturn for 2016/17

Borrowing – the following long term loans were taken during the year: -

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£10m	Fixed Interest Rate	2.71%	47 years
PWLB	£5m	Fixed Interest Rate	2.53%	48 Yrs 6 mths
PWLB	£5m	Fixed Interest Rate	1.87%	47 years
PWLB	£5m	Fixed Interest Rate	2.39%	50 years

Rescheduling

No rescheduling was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The Council repaid the following long term loans during the year using investment balances.

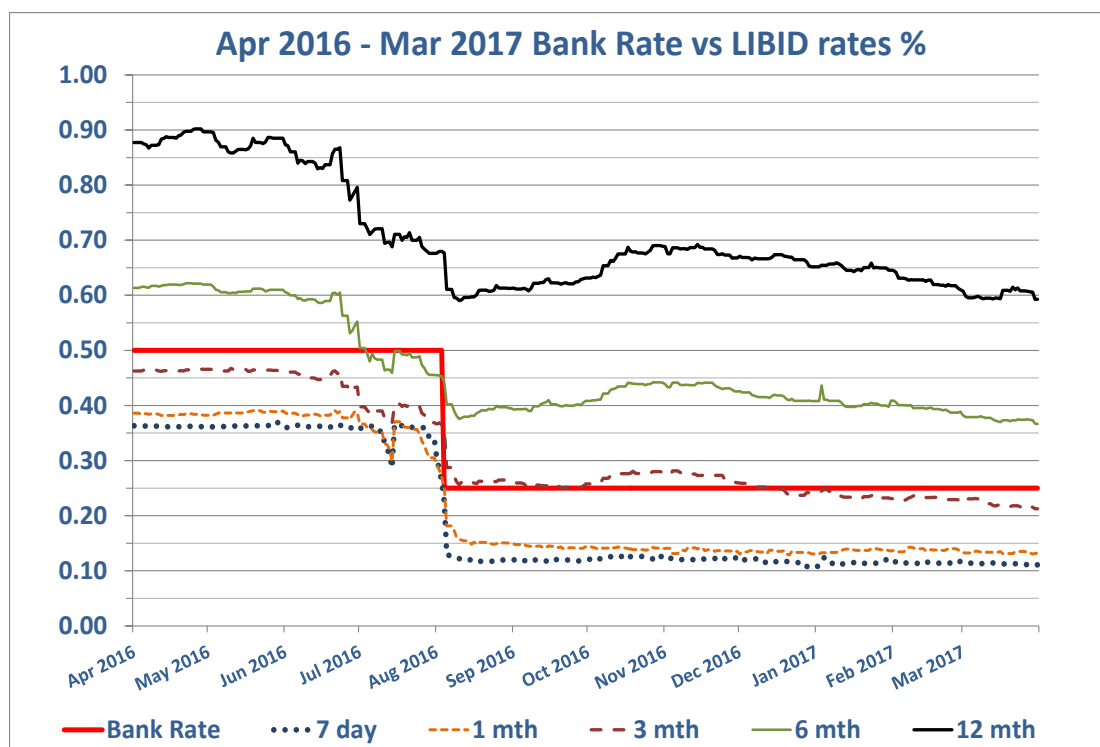
Lender	Principal	Type	Interest Rate
PWLB	£0.34 m	Fixed Interest Rate	11.25%
PWLB	£0.27m	Fixed Interest Rate	11.13%
PWLB	£0.87m	Fixed Interest Rate	9.75%
PWLB	£2.41m	Fixed Interest Rate	9.50%
PWLB	£0.35m	Fixed Interest Rate	9.38%
PWLB	£0.52m	Fixed Interest Rate	9.38%
PWLB	£0.08m	Fixed Interest Rate	10.50%
PWLB	£0.18m	Fixed Interest Rate	10.50%
PWLB	£0.87m	Fixed Interest Rate	9.88%
PWLB	£3.0m	Fixed Interest Rate	3.59%

Summary of debt transactions

Management of the debt portfolio resulted in a decrease in the average interest rate of 0.5% due to an increase in long term borrowing, overall the reduction in interest payments resulted in net General Fund saving of £0.944m.

7. Investment Rates in 2016/17

After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.



8. Investment Outturn 2016/17

Investment Policy – the Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 11/02/2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council - the Council maintained an average daily balance of £73.3m of internally managed funds. The internally managed funds earned an average rate of return of 0.639%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.200%. This generated £0.636m of interest in 2016/17.

Asset Management Fund – the Council invested the £1m Asset Management Fund in an enhanced Money Market Fund during 2016-17 to increase the rate of return while future long term investment of the fund is being assessed. The return on the fund was £20,640 a rate of return of 0.597%.

9. Prudential and Treasury Indicators

During 2016/17, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2015/16 Actual £000	2016/17 Original £000	2016/17 Actual £000
Capital expenditure	36,281	34,685	23,751
Capital Financing Requirement	256,079	265,766	253,896
Gross borrowing	247,280	243,648	244,557
External debt	158,090	169,589	170,503
Investments	46,438	20,000	63,722
Net borrowing	111,652	149,589	106,781

All investments were for less than one year.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016/17.

The authorised limit – this Council has kept within its authorised external borrowing limit as shown by the table above.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17
Authorised limit	£303m
Maximum gross borrowing position	£246m
Operational boundary	£295m
Average gross borrowing position	£240m
Financing costs as a proportion of net revenue stream	7.8%

The maturity structure of the debt portfolio was as follows:

	31st March 2016 Actual	2016/17 Original Limits	31st March 2017 Actual
Under 12 months	£16.6m	£50.9m	£12.6m
12 months and within 24 months	£8.9m	£50.9m	£5.5m
24 months and within 5 years	£16.4m	£50.9m	£11.9m
5 years and within 10 years	£6.5m	£67.8m	£5.9m
10 years and within 20 years	£0.0m	£135.7m	£7.0m
20 years and within 30 years	£12.9m	£135.7m	£5.8m
30 years and within 40 years	£28.9m	£135.7m	£33.8m
40 years and within 50 years	£36.8m	£135.7m	£57m
50 years +	£31.0m	£135.7m	£31m
Total	£158.0m	£898.8m	£170.5m

The Council's exposure to fixed and variable interest rates in respect of borrowing was as follows which demonstrates that at the year-end the proportion of fixed and variable borrowing was within the agreed limits:

	31 March 2016 Actual	2016/17 Original Limits	31 March 2017 Actual
Fixed rate (principal or interest) based on net debt	100%	190%	119%
Variable rate (principal or interest) based on net debt	42%	60%	41%

ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE

COUNCIL
29 JUNE 2017

ANNUAL EFFICIENCY STATEMENT 2016-17

1. EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to present the Council's Annual Efficiency Statement to Council for noting.
- 1.2 Local Authorities are required to complete and publish an Annual Efficiency Statement that summarises the total efficiencies achieved in the last financial year, along with summary detail on some of the main ways the Council is delivering efficiency savings.
- 1.3 The Council must submit their 2016-17 Annual Efficiency Statement to COSLA by 18 August 2017.
- 1.4 The Council has achieved £6.713m in efficiency savings for 2016-17 which exceeds the target requirement of £4.988m.

ANNUAL EFFICIENCY STATEMENT 2016-17

2. INTRODUCTION

- 2.1 Local Authorities are required to complete and publish an Annual Efficiency Statement that summarises the total efficiencies achieved in the last financial year. The Annual Efficiency Statement for 2016-17 is attached as an appendix to this report for noting.

3. RECOMMENDATIONS

- 3.1 Council to consider the contents of the Annual Efficiency Statement for 2016-17.

4. DETAIL

- 4.1 For 2016-17, the Scottish Government expects every public body to deliver efficiency savings of at least 3% and to report publicly on the actions undertaken and the results achieved. Council's must publish an Annual Efficiency Statement each year. The Annual Efficiency Statement is attached as an appendix to this report and has been prepared in accordance with the guidance issued by COSLA.
- 4.2 The 3% efficiency savings are calculated based on departmental expenditure limit (DEL). Income from Non-Domestic Rates (NDR) is annually managed expenditure so falls outwith DEL. The Scottish Government funding for the Council for 2016-17 was £196.697m. The NDR element of the funding amounted to £30.446m giving funding excluding NDR of £166.251m. This gives rise to a 3.00% efficiency savings target of £4.988m. The total efficiency saving achieved for 2016-17 was £6.713m (4.04%) as outlined in the attached statement and this exceeds the target saving.
- 4.3 Arrangements continue to be in place to monitor and report on progress with efficiency savings through the Planning and Performance Management Framework and Performance Scorecards.

5. CONCLUSION

- 5.1 The Council achieved its efficiency savings target for 2016-17.

6. IMPLICATIONS

- | | | |
|-----|--------------------|--|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | The Council has achieved its efficiency target for 2016-17. |
| 6.3 | Legal - | None. |
| 6.4 | HR - | Individual efficiency savings may have had human resource implications and these would have been discussed with the Trade Unions. |
| 6.5 | Equalities - | Individual efficiency savings may have had equality implications and equality impact assessments would have been carried out where required. |
| 6.6 | Risk - | None. |
| 6.7 | Customer Service - | Individual efficiency savings may have had customer service implications. |

Kirsty Flanagan
Head of Strategic Finance
30 May 2017

Councillor Gary Mulvaney, Depute Council Leader - Policy Lead Strategic Finance and Capital Regeneration Projects

For further information contact: David Forshaw, Acting Finance Manager, 01546 604216

APPENDICES

Appendix 1 – Annual Efficiency Statement 2016-17

CONFIRMATION OF EFFICIENCIES DELIVERED IN 2016-17

1	Local Authority Name	Argyll and Bute Council
2	Total cash efficiency achieved for 2016-17	£6,713,453 (4.04%)
3	Summary of efficiency activity The main initiatives the local authority has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas. The main information that the local authority uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year. Specific steps the local authority has taken during the year to improve collaboration and joint working to deliver efficient and user-focussed services and the improvements achieved.	<p>The Council set a range of savings targets as part of the 2016-17 budget which included a number of efficiency savings areas.</p> <p>There were 24 efficiency related management savings totalling £939,000 and 61 efficiency related Service Choices Policy savings totalling £2,349,100, producing an overall efficiency related budget savings total of £3,288,100.</p> <p>The Council continues to explore opportunities for asset rationalisation, both offices and depots.</p> <p>The Council has a number of shared services/joint working arrangements in place.</p> <p>These include;</p> <ul style="list-style-type: none"> • shared scientific services, • shared contract in relation to ICT wide area network, • shared services in relation to archaeology • shared arrangements with Highland Council to carry out Road Safety Audits, • joint working in respect of the effects of welfare reform • jointly worked with all 32 Local Authorities to procure under a single contract Road Condition Index (RCI) surveys. • jointly worked with 12 Local Authorities in the west of Scotland to produce a Road Inspections Manual. • jointly procured, with 12 Local Authorities in the west of Scotland, a weather forecasting service. • joint working with Police Scotland for antisocial noise and an agreement in place with 7 other local authorities to use our mobile anthrax incinerator. • exploring joint working possibilities with the NHS, holding a number of workshops covering procurement, ICT, Fleet management and co-location of staff. <p>The Council have a Performance Improvement Framework which is outcome based. Each Council service has their own performance scorecard measuring their service outcomes,</p>

		<p>which link to the Council's corporate outcomes.</p> <p>In addition to the efficiencies and savings delivered by shared services and joint working, the Council has also delivered Financial Management savings in the following areas.</p> <ul style="list-style-type: none"> • Switching Fleet vehicles replacement from Leasing to Capital purchase. • Managing cashflow effectively to delay external borrowing to obtain beneficial rates. • Securing a loyalty payment on the refinancing of the NPDO schools projects.
4	<p>Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000</p> <p>(only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.</p>	<p>Procurement = £3,425,353</p> <p>The Council continues to ensure procurement savings are achieved by utilising contracts appropriately and by carrying out our own procurement exercises to achieve best value for the Council. Heads of Service and Procurement Action Managers are working together to achieve targets and ensure as much spend as possible is put through systems to obtain better spend information in the future.</p> <p>Shared Services = Noted in Section 3</p> <p>There are a number of joint working arrangements which have previously given rise to efficiency savings and which continue to add value as noted in Section 3 above.</p> <p>Asset Management = No new savings during 2016-17</p> <p>The Council continues to explore opportunities to rationalise its asset base working on its own and with Community Planning Partners. It has set a target of a cumulative reduction in Gross Internal Floor Area occupied of 15% and, to date, has achieved a 17% reduction. This is mainly as a result of office rationalisation in the towns of Campbeltown, Helensburgh, Lochgilphead and Oban and has been achieved through the adoption of the updated space standards associated with the Workforce Deployment Project, the associated termination of leases for leased in offices and the disposal of surplus office accommodation. Through this, the Council has delivered recurring savings of circa £130,000. The latest initiative is being taken forward in collaboration with Community Planning Partners wherein, with the assistance of the Scottish Futures Trust, a Smarter Places Review is being conducted with the</p>

		initial focus on Dunoon, Helensburgh, Oban and Lochgilphead to determine further opportunities for rationalisation of assets. The outcome will also be informed by a review of fleet management which has recently been commissioned. This will investigate options for rationalising fleet management arrangements in collaboration with our Community Planning Partners, including a challenge of our current depot strategy.
5	Evidence: What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	<p>A high level approach to verifying performance has been taken using the service outcomes on the service performance scorecards. The service outcomes are measured using the key success measures for ongoing service delivery in important areas of the Councils business. On this basis they can be assumed to represent quality and delivery in key service areas. The service outcomes are classified as red or green where green represents on target and red is off target. There is also an amber classification which indicates that more than half of the actions within the service outcome are on track. If the service outcomes are predominately classed as green or amber then this indicates the standards for service quality and delivery are being achieved.</p> <p>As at March 2017, out of 60 service outcomes, 55 were either green or amber and 5 were red. This indicates that service quality is at the standards specified in the service plan and on this basis the efficiency savings have not had a negative impact on service delivery.</p>

Signed

Cleland Sneddon, Chief Executive

Signed

Aileen Morton, Council Leader

Date: 29 June 2017

ARGYLL AND BUTE COUNCIL

COUNCIL

STRATEGIC FINANCE

29 JUNE 2017

STRATEGIC HOUSING FUND ANNUAL REPORT 2016-17

1.0 EXECUTIVE SUMMARY

- 1.1 In December 2004, Council decided to exercise its discretion to reduce the discount for council tax for second and holiday homes across the whole council area from 50% to 10%. Subsequently, on 18 May 2006, the Strategic Policy Committee agreed that this revenue should be used flexibly, depending on local circumstances, for the establishment of:

- A Landbanking fund;
- An Empty Homes Strategy, and
- To promote additional investment in infrastructure capacity, where further development of affordable housing is otherwise constrained.

In line with Scottish Government guidance, which states that additional income arising from the reduced discount of council tax on second and holiday homes be retained locally by the local authority and used specifically for the provision of affordable social housing, the Strategic Housing Fund (SHF) was created to allow for allocations in support of priority projects emerging from the Local Housing Strategy (LHS).

- 1.2 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2016-17, the current balance on the SHF as at 31 March 2017 and all future commitments against this balance.
- 1.3 The closing balance as at 31 March 2017 on the SHF is outlined in the table below:

	Opening Balance at 1 April 2016 £m	Income 2016-17 £m	Expenditure 2016-17 £m	Closing Balance at 31 March 2017 £m
Earmarked Balance in General Fund	6.582	1.955	(2.361)	6.176
Useable Capital Receipts Reserve	2.777	0.006	0	2.783
TOTAL	9.359	1.961	(2.361)	8.959

- 1.4 There are a number of outstanding commitments against the SHF balance, as at 31 March 2017, and these total £3.518m.
- 1.5 The uncommitted SHF balance as at 1 April 2017 is £5.441m. There are plans to fully utilise this uncommitted balance over 5 years (2017-22) to support the

affordable housing development programme, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report that went to Council in September 2016.

ARGYLL AND BUTE COUNCIL
COUNCIL**STRATEGIC FINANCE****29 JUNE 2017**

STRATEGIC HOUSING FUND ANNUAL REPORT 2016-17

2.0 INTRODUCTION

- 2.1 This report provides an annual update on the Strategic Housing Fund (SHF) income and expenditure position for 2016-17, the current balance on the SHF as at 31 March 2017 and all future commitments against this balance.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Council:
- (a) Note the report on income and expenditure for 2016-17 and the balance on the SHF as at 31 March 2017.
 - (b) Note the estimated future income for SHF for 2017-18.

4.0 DETAIL

- 4.1 In December 2004, Council decided to exercise its discretion to reduce the discount for council tax for second and holiday homes across the whole council area from 50% to 10%. Subsequently, on 18 May 2006, the Strategic Policy Committee agreed that this revenue should be used flexibly, depending on local circumstances, for the establishment of:

- A Landbanking fund;
- An Empty Homes Strategy, and
- To promote additional investment in infrastructure capacity, where further development of affordable housing is otherwise constrained.

Subsequently, in line with Scottish Government guidance, which states that additional income arising from the reduced discount of council tax on second and holiday homes be retained locally by the local authority and used specifically for the provision of affordable social housing, the Strategic Housing Fund (SHF) was created to allow for allocations in support of priority projects emerging from the Local Housing Strategy (LHS).

- 4.2 In September 2007, a further report went to Council to formally agree the arrangements for the operation of the SHF. The following items of expenditure were deemed appropriate and agreed:

- Expenditure incurred in relation to assets formally held on the Housing Revenue Account;

- Expenditure relating to the acquisition of land for the landbank;
 - Expenditure related to the purchase of homes under the empty homes initiative;
 - Payments to enhance infrastructure where this is restricting the development of affordable housing, and
 - Payments to registered social landlords (RSLs) to partially fund proposed projects to deliver houses in accordance with the local housing strategy.
- 4.3 The introduction of the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012 provided enabling powers for further regulations to modify council tax discounts. The new legislation defined new categories of unoccupied properties which differed from the previous categories, and provided new discretions for charging council tax on these new categories. The new regulations allowed the council to determine that, instead of a reduced discount of a minimum of 10%, no discount, or an increase in council tax of up to 100% may apply.
- 4.4 In 2016 The Scottish Government announced its intention to introduce legislation to allow councils to end the Council Tax discount for second homes from April 2017 in “A Plan for Scotland: The Government’s Programme for Scotland 2016-17”. Legislation brought this into effect from 1 April 2017 and the Policy & Resources Committee at its meeting on 27 October 2016 agreed that the Council should exercise its discretion under regulation 4 The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 to vary the council tax charge on second homes such that no discount applies across the whole of the council area with effect from 1 April 2017. It is not currently possible to determine the implications of this change in policy on the Strategic Housing Fund.
- 4.5 The Council also exercised their discretion to increase the council tax charge on empty properties, where the dwelling has been unoccupied for over 12 months, by 100% across the whole council area with effect 1 April 2014 and this additional income is not ring-fenced to the SHF.
- 4.6 There are currently two elements to the SHF balance:

Earmarked Balance in General Fund Reserve

Income collected from council tax on second homes which can only be used for investment in affordable, sufficient and suitable housing. The current balance in this reserve represents income from council tax collections from previous financial years. Each year the actual income collected is transferred into this earmarked balance and is, on average, c. £1.9m.

Useable Capital Receipts Reserve

This relates to the accumulated unspent capital receipts from the sale of council houses prior to the transfer of the housing stock. Any sale of residual HRA property or land is transferred to this reserve when the capital receipts are received.

- 4.7 The closing balance as at 31 March 2017 on the Strategic Housing Fund is outlined in the table below:

	Opening Balance at 1 April 2016 £m	Income 2016-17 £m	Expenditure 2016-17 £m	Closing Balance at 31 March 2017 £m
Earmarked Balance in General Fund	6.582	1.955	(2.361)	6.176
Useable Capital Receipts Reserve	2.777	0.006	0	2.783
TOTAL	9.359	1.961	(2.361)	8.959

- 4.8 Further detail of the income and expenditure for 2016-17 is included as Appendix 1.
- 4.9 There are a number of outstanding commitments against the Strategic Housing Fund. There is usually a delay between grants being approved and the monies being released. Included as Appendix 2 is a list of these outstanding commitments, these funds were not released prior to 31 March 2017.
- 4.10 The table below sets out the uncommitted balance on the fund as at 31 March 2017.

	£m
Balance at 31/03/17	8.959
Commitments re Appendix 2	3.518
Uncommitted Balance	5.441

- 4.11 There are plans to fully utilise this uncommitted balance over 5 years (2017-22) to support the affordable housing development programme, including empty homes grants and loans, as set out in the Strategic Housing Improvement Plan (SHIP) report that went to Council in September 2016. In 2016, Council set a target of 110 affordable housing completions per annum, based on the need evidenced through the Housing Need and Demand Assessment (HNDA) process.
- 4.12 The estimated income from council tax on second homes for 2017-18 is £1.9m.
- 4.13 In addition to the above, the council has used reserves to advance loans to RSL's in line with the approach agreed in August 2013. Details of the loans advanced and balances outstanding at 31 March 2017 are set out below:

RSL	Scheme Name	Amount Committed £m	Amount Advanced £m	Rate of Interest %	Repayment Period (years)	Amount o/s 31/03/17 £m
FYNE	Courthouse	1.900	1.900	1.93	9	0.502
ACHA	Glenshellach	2.305	2.305	4.45	25	2.144
ACHA	Bonawe	0.123	0.123	4.43	25	0.116
ACHA	Hood Court	0.603	0.603	4.43	25	0.572
FYNE	St Cuthbert's	0.201	0.201	3.14	25	0.197
WHHA	Port Ellen	0.955	0			0
Total		6.087	5.132			3.531

5.0 CONCLUSION

- 5.1 The Strategic Housing Fund makes a significant contribution to the new affordable housing development programme in Argyll and Bute. The closing balance on the fund at 31 March 2017 was £8.959m with future outstanding commitments of £3.518m, leaving an uncommitted balance of £5.441m to further support the affordable housing development programme as set out in the Strategic Housing Improvement Plan (SHIP) report 2016.

6.0 IMPLICATIONS

- 6.1 Policy: None
- 6.2 Financial: None, Strategic Housing Fund will continue to be administered in line with approved policy.
- 6.3 Legal: None
- 6.4 HR: None
- 6.5 Equalities: None
- 6.6 Risk: None
- 6.7 Customer Service: None

Kirsty Flanagan, Head of Strategic Finance
Councillor Gary Mulvaney – Policy Lead Strategic Finance and Capital Regeneration Projects
Councillor Robin Currie – Policy Lead Communities, Housing, Islands and Gaelic
26 May 2017

APPENDICES

- Appendix 1: SHF Income and Expenditure 2016-17
- Appendix 2: Outstanding SHF Commitments

Strategic Housing Fund (SHF) 2016-17**Earmarked Balance in General Fund Reserve 2016-17**

	£	£	£
SHF Opening Balance 2016-17			6,581,409

2016-17 INCOME

Income from Council Tax on Second Homes			1,954,776
---	--	--	-----------

2016-17 EXPENDITURE

RSL	Scheme	£	£
ACHA	St Oran's Place, Connel	250,000	
ACHA	Sealladh Na Mara, Bowmore	250,000	
ACHA	Glenshellach, Oban	425,000	
ACHA	St Oran's Place, Connel & Heatherbank, Cairnbann	24,000	
ACHA	Travelling Person Sites	39,660	
ACHA	Victoria Park, Dunoon	125,000	
Total ACHA			1,113,660
FYNE HOMES	Lochgilphead Phase 5	144,000	
FYNE HOMES	Minard	72,000	
Total FYNE HOMES			216,000
LINK GROUP	Old Military Road, Luss	60,000	
Total LINK GROUP			60,000
Mull and Iona Community Trust (RHDF)	Ulva	180,000	
Total Mull and Iona Community Trust			180,000
WHHA	Imeraval, Islay	540,288	
Total WHHA			540,288

2,109,948

Other Spend

Empty Homes Grants	71,769	
Furnace Coastal Protection	35,910	
ABC Strategic Housing Staff	143,362	251,041

SHF Closing Balance 2016-17**6,175,196**

Strategic Housing Fund (SHF) 2016-17**Usable Capital Receipts (UCR)**

	£	£
<u>UCR Opening Balance 2016-17</u>		2,776,935
<u>2016-17 INCOME</u>		
HRA Revenue Interest on UCR Reserve	5,805	<u>5,805</u>
<u>UCR Closing Balance 2016-17</u>		<u>2,782,740</u>

Outstanding Strategic Housing Fund Commitments

RSL	Scheme	Grant Approved	Total Drawn Down as at 31/03/17	Commitment Remaining
		£	£	£
ACHA	St Oran's Place, Connel	250,000	250,000	0
ACHA	Sealladh Na Mara, Bowmore	250,000	250,000	0
ACHA	Glenshellach, Oban	425,000	425,000	0
ACHA	St Oran's Place, Connel & Heatherbank, Cairnbann	72,000	24,000	48,000
ACHA	Travelling Person Sites	80,160	39,660	40,500
ACHA	Victoria Park, Dunoon	125,000	125,000	0
ACHA	St Oran's Place, Connel (Phase 3)	250,000	0	250,000
ACHA	Carnan Road, Coll	24,000	0	24,000
ACHA	Glenshellach, Oban Phase 10	96,000	0	96,000
ACHA	Barran, Kilmore	72,000	0	72,000
ACHA	Heatherbank, Cairnbaan	12,000	0	12,000
ACHA	Glenshellach, Oban Phase 11 & 12	504,000	0	504,000
ACHA	Jutland Court, Helensburgh	384,000	0	384,000
ACHA	Benmore View, North Connel	12,000	0	12,000
DHA	Succoth, greener standard	941,000	0	941,000
FYNE HOMES	Lochgilphead Phase 5	144,000	144,000	0
FYNE HOMES	Minard	72,000	0	72,000
FYNE HOMES	Baddens, Lochgilphead	72,000	72,000	0
FYNE HOMES	Lochgilphead Phase 4	192,000	0	192,000
LINK GROUP	Old Military Road, Luss	60,000	60,000	0
RHDF (Mull and Iona Community Trust)	Ulva	180,000	180,000	0
WHHA	Imeraval, Islay	540,288	540,288	0
WHHA	Benderloch Phase 2	144,000	0	144,000
ABC	Council Serviced Tenancies (SHQS)	572,000	57,623	514,377
ABC	Staff Costs	143,362	143,362	145,044
ABC	Furnace Coastal Protection	69,000	57,784	11,216
ABC	Empty Homes	7,500	7,500	0
ABC	Empty Homes	80,000	41,481	38,519
ABC	Empty Homes	20,000	8,582	11,418
ABC	Empty Homes	20,000	14,206	5,794
TOTAL		5,813,310	2,440,486	3,517,868

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL**COUNCIL****Customer Services****29 JUNE 2017**

Implementation of the Community Empowerment (Scotland) Act 2015 - Update

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with an overview of the progress that has been made to date in implementing the various elements of the Community Empowerment (Scotland) Act which received Royal Assent on 24 July 2015.
- 1.2 Members are asked to consider the key requirements/implications placed on the Council in respect of the main components of the Act, and the progress that has been against each to ensure compliance.

Implementation of the Community Empowerment (Scotland) Act 2015 - Update

1.0 INTRODUCTION

- 1.1 This report provides Members with an overview of the progress that has been made to date in implementing the various elements of the Community Empowerment (Scotland) Act which received Royal Assent on 24 July 2015.
- 1.2 This is a technical paper advising of the progress by Officers of the Community Empowerment Working Group, and does not cover details on how communities/localities will engage with agencies. This will be the subject of a separate report to the Community Services Committee.

2.0 RECOMMENDATIONS

Members are asked to;

- 2.1 Consider the key requirements/implications placed on the Council in respect of the main components of the Act, and;
- 2.2 Consider the progress that has been achieved against each element of the Act to ensure compliance as and when the regulations come into force.

3.0 DETAIL

- 3.1 The Community Empowerment (Scotland) Act 2015 provides a legal framework that will promote and encourage community empowerment and participation. It creates new rights for community bodies and places new duties on public authorities
- 3.2 In order for the Council to ensure compliance with the relevant parts of the Act a Working Group has been established, Chaired by the Executive Director of Customer Services, which has appropriate Officer representation from across Services and Argyll and Bute Community Planning Partnership (CPP) Partners are also invited to attend all meetings on a 6-8 weekly basis. A list of those Officers who attend the Working Group and their roles is attached at appendix 1 for information.
- 3.3 Detailed below is an overview of those elements which impact on the Council, together with an update on what action the Council has taken

to meet requirements.

- 3.4 Community Planning (came into force 20 December 2016)
 - 3.4.1 One of the main requirements of the Council under the Act is to produce outcome plans at a locality level, which are referred to as Locality Plans. The terminology of Single Outcome Agreement (SOA) has also changed to Local Outcomes Improvement Plan (LOIP).
 - 3.4.2 The Council's Community Planning Manager is leading on this element of the Act and is on track to complete all relevant actions to ensure compliance within the designated timeframes. For example, a review of the CPP membership has been undertaken, and work is in progress to ensure that the minor changes needed to the current SOA, to ensure it is compliant with the regulations and requirements of the LOIP, are completed. With regard to the main provision of producing locality plans, consultation has begun with communities to start identifying/developing key priorities/issues that will form the basis of the plans. This work is on target for completion by 1 October 2017.
- 3.5 Participation Requests (in force 1 April 2017)
 - 3.5.1 Part 3 of the Act provides a mechanism for community bodies to enter into dialogue with public authorities about how local services are planned and delivered. Where a community body believes it could help to improve an outcome which is delivered by a public services, it will be able to request to participate in a process with the public service to improve that outcome.
 - 3.5.2 The Scottish Government published their draft guidance on this part of the Act in February 2017 and the legislation came into force on 1 April 2017. The Council have developed processes and guidance in line with that proposed by the Scottish Government, and dedicated webpages have been set up which contain links to all the relevant documentation, and details of who to contact within the Council to obtain support in submitting a participation request. The first point of contact for communities is the Community Development Team who will be able to provide support and guidance on how to submit a request. They will also carry out an initial assessment of any requests submitted by a community participation body, including determining their viability as a group and the validity of their request. Thereafter, any valid requests will be processed in conjunction with the relevant Council service(s), and submitted to the relevant committee(s) for a decision.
- 3.6 Asset Transfer Requests (in force 23 January 2017)
 - 3.6.1 The Act provides community bodies with a right to request to purchase, lease, manage or use land and buildings belonging to local authorities, Scottish public bodies or Scottish Ministers. There is a presumption of agreement to requests, unless there are reasonable grounds for refusal. Reducing inequalities will be a factor for public

3.6.2 authorities to consider when making a decision. Authorities are required to create or maintain a register of land which they will make available to the public.

3.6.3 This part of the Act went live on 23 January 2017 as planned following the development of appropriate processes and guidance notes to aid communities. As per Asset Transfers, dedicated webpages have been set up which contain links to all the relevant documentation, the land and asset register, together with details of who to contact within the Council for support in developing a request. The central point of contact within the Council for Asset Transfer requests is the Social Enterprise Team, Economic Development, who previously had responsibility for the third sector asset transfer process.

3.6.4 Any requests received by the Council will be processed and evaluated in line with the Scottish Government guidance/timescales, and thereafter report to the relevant committee(s) for a decision.

3.7 Since going live there have been no formal Asset Transfer Requests. There have been some 11 Expressions of Interest and in all of these there has been dialogue and exchange of information with the requestor to assist in the process. At least 2 of these expressions of interest are being progressed on the basis of a grant of licence with the agreement of the requestor.

3.7.1 Common Good Property

The Act places the following statutory duties on local authorities;

- To establish and maintain a register of all property held by them for the common good (there must be consultation with community bodies in advance of establishing the register, and the local authority must have regard to any representations made by those community bodies).
 - Once established the local authority must make arrangements to enable members of the public to inspect, free of charge, its common good register at reasonable times and at such places as the authority may determine, and make its register available on a website or by other electronic means.
 - Consult before disposing of or changing the use of common good property and the local authority must have regard to any representations made in regards the proposed disposal/change of use.
- 3.7.2

It is anticipated that the provisions set out within the Act will come into force in 2018, but the Council are currently awaiting final guidance from the Scottish Government in this regard. Before the Scottish Government can issue final guidance documents, the Act specifies that Scottish Ministers must consult with local authorities, community councils and other community bodies. The Scottish Government has advised that they plan to issue draft guidance following the local

3.7.3 elections in May 2017 and will run a 12 week consultation period. The publication of final guidance and bringing the remaining provisions of Part 8 of the Act into force will depend upon the volume and nature of responses to the consultation.

3.8 In advance of the draft guidance being issued, the Council have begun the process of putting in place arrangements, as far as possible, to ensure that we are prepared for go live when it occurs. This includes ensuring that the list of common good property held by the Council is reviewed and updated in preparation for publication. Internal Audit have undertaken an assessment of our preparedness for the implementation and their report has returned an audit opinion of substantial assurance, and makes no recommendations for actions to be taken.

3.8.1

Allotments

The Act updates and simplifies the legislation in respect of allotments, which was very old. It requires local authorities to;

- Establish and maintain a list of those seeking allotments – the list may be established and maintained in such form as the authority sees fit.
 - Provide allotments – requires local authorities to take reasonable steps to provide allotments if waiting lists exceed certain trigger points and strengthens protection for allotments
 - Make regulations about allotment sites - provisions are made to allow the size of an allotment to be agreed between the person requesting an allotment and the local authority and to require fair rents to be set
 - Prepare a food growing strategy – Section 119 of the Act requires local authorities to have a strategy in place within 2 years of that section coming into force. In order to assist local authorities with this new duty the Scottish Government have seconded an Allotments Officer from Fife Council to initiate a national conversation around this and a Food Growing Strategy Event has been arranged for 16 August 2017 in Edinburgh which will be attended by an Officer from the Council.
- 3.8.2
- Prepare annual allotments statement

3.8.3 It is anticipated that the provisions will come into force by end 2017, however the Scottish Government are currently in the process of developing secondary legislation which is required before Part 9 of the Act may be brought into force. A letter from the Scottish Government on 7 June indicates that they plan to lay the implementing secondary legislation before parliament in late 2017, and to coincide with this they intend to publish Scottish Ministers' guidance and a Food Growing Strategy template that can be adopted by local authorities.

3.9 Officers are currently undertaking preparatory work to ensure

compliance with the new provisions once they come into force.

3.9.1

Non Domestic Rates (in force 31 October 2015)

The Act provides for a new power which allows local authorities to create and fund their own localised business rate relief schemes to better reflect local needs and support communities.

To date no new areas of relief to be funded by the Council are being considered, therefore the Council has not yet utilised the new powers brought about by the Act.

3.10

3.10.1

Information/Knowledge Sharing with Community Planning Partnership

Arrangements have been put in place by the Community Empowerment Working Group to monitor the number of Participation / Asset Transfer Requests received across the Argyll and Bute CPP). A report will be prepared for consideration at the quarterly CPP Chief Officers Group (COG), which take place in March, June, September and December, to allow for an overview of all requests/expressions of interest to be shared. The first of these monitoring reports will be tabled at the CPP COG meeting scheduled for 28th June 2017. The reports will also be submitted to the Community Empowerment Working Group for their interests.

3.10.2

As mentioned above, dedicated webpages have been developed on the Council's website (which can be viewed [here](#)) to provide an overview of the various elements of the Act and to advise on where further information and support can be provided. The webpages also contain links to our CPP Partners websites.

4.0

4.1

CONCLUSION

The Community Empowerment (Scotland) Act 2015 places a number of new legislative duties upon the Council and a dedicated Working Group has been put in place to ensure compliance with these. All elements of the Act which are currently in force have been implemented by the Council, including Participation and Asset Transfer Requests, and work is ongoing to comply with the other parts as and when they come into force. Regular progress reports from the Working Group are submitted to the SMT to ensure that all actions are completed on time.

5.0

5.1

5.2

5.3

IMPLICATIONS

5.4

Policy - new policies created to ensure compliance with Act

5.5

Financial – none at present

5.6

Legal - delivery of legislative duties within the Community Empowerment Act

- 5.7 HR – None at present
Equalities – the relevant parts of the Act will be applied equally to all communities
Risk – failure to have policies/processes in place could result in high demand on resource and reputational damage for Council
Customer Service – appropriate awareness raising amongst communities, preparedness to deal with any requests, otherwise could lead to complaints.

Douglas Hendry
Executive Director of Customer Services
24 May 2017

For further information contact:
Laura Blackwood
Executive Support Officer – Customer Services
01546 604325

APPENDICES

Appendix 1 – Membership of the Community Empowerment
Working Group

Appendix 1 – Membership of the Community Empowerment Working Group

Name	Designation/Role	Organisation
Douglas Hendry	<ul style="list-style-type: none"> Executive Director – Customer Services Chair of Working Group 	Argyll and Bute Council
Morag Brown	<ul style="list-style-type: none"> Business Improvement Manager, Community Services Lead Officer – Participation Requests 	Argyll and Bute Council
Rona Gold	<ul style="list-style-type: none"> Community Planning Manager, Community Services Lead Officer – Community Planning 	Argyll and Bute Council
David Logan	<ul style="list-style-type: none"> Special Projects and Quality Improvement Manager, Customer Services Lead Officer – Asset Transfer Requests 	Argyll and Bute Council
Shirley MacLeod	<ul style="list-style-type: none"> Area Governance Manager Lead Officer – Common Good Property and Allotments 	Argyll and Bute Council
Laura MacDonald	<ul style="list-style-type: none"> Community Development Officer, Community Services 	Argyll and Bute Council
Sybil Johnson	<ul style="list-style-type: none"> Senior Planning and Strategies Officer, Development and Infrastructure Services 	Argyll and Bute Council
Arlene Cullum	<ul style="list-style-type: none"> Senior Development Officer, Development and Infrastructure Services 	Argyll and Bute Council
Audrey Martin	<ul style="list-style-type: none"> Transformation Projects and Regeneration Manager, Development and Infrastructure Services 	Argyll and Bute Council
Laura Blackwood	<ul style="list-style-type: none"> Executive Support Officer, Customer Services 	Argyll and Bute Council
Stuart MacLean	<ul style="list-style-type: none"> Group Manager, Prevention and Protection 	Scottish Fire and Rescue Service
Hazel Hendren	<ul style="list-style-type: none"> Chief Superintendent 	Police Scotland
Jennifer Nicoll	<ul style="list-style-type: none"> Area Manager – Argyll and the Islands 	HIE
Anne Jackson	<ul style="list-style-type: none"> Research and Performance Officer 	Loch Lomond & Trossachs National Park
Frances Webster	<ul style="list-style-type: none"> Area Manager – North Region 	SDS
Anthony Standing	<ul style="list-style-type: none"> Head of Operations 	SDS
Fraser Durie	<ul style="list-style-type: none"> Principal 	Argyll College UHI

This page is intentionally left blank

ARGYLL AND BUTE COUNCIL
CUSTOMER SERVICES

COUNCIL
29 JUNE 2017

POLITICAL MANAGEMENT ARRANGEMENTS

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Council on vacancies which have arisen on the Councils Committees and on appointments which require to be made to outside bodies/organisations in addition to those made at the Council meeting on 18 May 2017, as well as consider appointments in relation to an Armed Forces Champion, World War 1 Commemoration Steering Group representatives and Children's Champions.
- 1.2 The Council is being invited to make:
- a) one appointment to the Community Services Committee.
 - b) one appointment to the Argyll and Bute Area Support Team.
 - c) one nomination to COSLA for a Trustee to the Scottish National War Memorial
 - d) one appointment to the role of Armed Forces Champion
 - e) four appointments, representative of each area, to the World War 1 Commemoration Steering Group
 - f) four appointments, representative of each area, to the role of Children's Champion

POLITICAL MANAGEMENT ARRANGEMENTS

2. INTRODUCTION

- 2.1 The purpose of this report is to update the Council on vacancies which have arisen on the Councils Committees and on appointments which require to be made to outside bodies/organisations in addition to those made at the Council meeting on 18 May 2017, as well as consider appointments in relation to an Armed Forces Champion, World War 1 Commemoration Steering Group representatives and Children's Champions.

3. RECOMMENDATIONS

- 3.1 The Council is being invited to consider making the following appointments/nominations -
- a) one appointment to the Community Services Committee.
 - b) one appointment to the Argyll and Bute Area Support Team.
 - c) one nomination to COSLA for a Trustee to the Scottish National War Memorial
 - d) one appointment to the role of Armed Forces Champion
 - e) four appointments, representative of each area, to the World War 1 Commemoration Steering group
 - f) four appointments, representative of each area, to the role of Children's Champion
- 3.2 The Council is being asked to note that appointments to Locality Groups have been progressed by the June Area Committees and that there is no requirement for the Council to make any appointments in respect of these.

4. DETAIL**4.1 Vacancies on Committees****4.1.1 Community Services Committee**

The Community Services Committee has 16 Elected Members. It has 1 vacancy as Councillor Len Scoullar declined his appointment made at the Council meeting on 18 May 2017. The current membership is –

Councillor Jim Anderson
 Councillor Rory Colville
 Councillor Robin Currie
 Councillor Mary-Jean Devon
 Councillor Lorna Douglas
 Councillor Audrey Forrest

Councillor Kieron Green (Vice Chair)
Councillor Graham Archibald Hardie
Councillor Anne Horn
Councillor Julie McKenzie
Councillor Yvonne McNeilly (Chair)
Councillor Barbara Morgan
Councillor Elaine Robertson
Councillor Richard Trail
Councillor Andrew Vennard
Vacancy

Margaret Anderson (Roman Catholic Representative)
Vacancy (Scottish Episcopal Representative)
William Stewart Shaw (Church of Scotland Representative)
(Teacher Representative) TBC
(Teacher Representative) TBC

4.2 Appointments to Outside Bodies/Organisations

4.2.1 *Argyll and Bute Area Support Team (AST)*

Each local authority can nominate at least one member to the AST of which they are a part. The current practice is that these nominees will ordinarily be elected members but this is not a requirement under the Act.

Local authority nominees have an overview of the Children's Hearings System and the Children's Panel in their area. They are aware of local issues and act as an important link between the Children's Panel and the local authority elected members and relevant local recruitment, selection, recommendation for appointment or reappointment, or practice observation and review processes undertaken by the AST panel practice advisors. The Council should consider making an appointment of one elected Member to this outside body.

4.2.2 *Trustee of the Scottish National War Memorial*

The Royal Charter allocates six trustees to COSLA in addition to the Lord Provosts of Edinburgh, Glasgow, Dundee and Aberdeen who are ex-officio trustees. The trustees meet twice per year. The Council has been invited by COSLA to make one nomination of an elected Member to be a trustee. The Council should consider if they wish to make a nomination of an Elected Member and who they wish to nominate. Nominations received by COSLA will be collated and sent to the Scottish National War Memorial Trust for consideration.

4.3 Additional Appointments

4.3.1 *Armed Forces Champion*

In 2012 the Council agreed to appoint an Armed Forces Champion, with the specific remit of ensuring that local service provision is mindful of the needs of Service Veterans.

The Council has a number of Champions, whose responsibilities for their client groups are:

- i. To highlight where a potential council decision may impact positively or

- negatively on relevant client group
- ii. To keep abreast of legislation and initiatives
- iii. To liaise with recognised organisations and representatives
- iv. To respond to invitations to attend relevant meetings in respect of their portfolio
- v. To provide an additional point of contact for the public/client group
- vi. To provide necessary input to the Audit and Scrutiny Committee
- vii. To provide an annual report to the Council in respect of their activities.

Also in 2012, the Council noted the signing of the Community Covenant, which complements, at a local level, the Armed Forces Covenant, and outlines the moral obligation between the Nation, the Government and the Armed Forces. The signing of the covenant provided an opportunity for the Council and partner organisations to bring their knowledge, experience and expertise to consider positive measures to provide support to the Armed Forces Community, and committed them to ensuring that health, education, housing, transport and social needs of current and ex personnel and their families are met. Since the appointment of an Armed Forces Champion a significant amount of work has been undertaken, particularly in regards the development of work around recognition of the World War 1 centenary, but also more generally in relation to building and developing positive relationships with the Armed Forces communities of Argyll and Bute and further afield.

The Council is invited to note the detail provided in respect of the role of an Armed Forces Champion and to consider making an appointment to the role.

4.3.2 *World War 1 Commemoration Steering Group Representatives*

The World War 1 Commemoration Steering Group is led by the Lord Lieutenant of Argyll and Bute and has a wide range of representation including representatives from across the Royal Navy, Royal Marines, Army, RAF and cadet forces, the Royal British Legion and local elected members. The Steering Group has focused on commemorative events and community engagement and activities to investigate the impact of the Great War on Argyll and Bute. At the Council Meeting in April 2017 the previous council considered a detailed report on a national World War 1 commemorative event and associated activities planned for Islay in 2018. The Council is therefore invited to continue area wide participation in the World War 1 Commemoration Steering Group and to appoint one elected member from each area to join the Steering Group.

4.3.3 *Children's Champions*

Argyll and Bute Council continuously seeks to improve outcomes for our Looked After Children and Young People. Central to this approach has been the appointment of four Children's Champions from across each of the four geographical areas of the Council. The role of Children's Champion was first developed in 2010 when Argyll and Bute had a single champion to enhance the lives of our Looked After Children and Young People through improved opportunities and the removal of any barriers to progress. The role has since evolved having received further impetus through the Children and Young People (Scotland) Act 2014 which defined and strengthened the statutory duties of a Corporate Parent.

Corporate Parenting is essentially the same as being a good parent and wanting to achieve the same good outcomes for our Looked After Children and Young People that we would want for our own children. To improve and make Corporate

Parenting a reality depends upon drive, ownership and leadership at the very highest level of the organisation. Children's Champion's play an important role in promoting the rights of our Looked After Children and Young People and in challenging us all to do better in improving their outcomes.

The Children's Champions are by virtue of their role members of the Argyll and Bute Corporate Parenting Board which provides a forum within which the Corporate Parents can come together and formally address the task of improving outcomes for our Looked After Children and Young People. In accordance with the Children and Young People (Scotland) Act 2014 a Corporate Parenting Plan is presently being drawn up to give a focus to the experience of being Looked After and to draw upon the combined resources of all those agencies (Corporate Parents) who come into contact with our Looked After Children and Young People in empowering them to overcome the many challenges they face. Central to the Plan are the four Children's Champions. The Board has successfully bid to the Life Chances Trust in collaboration with Who Cares Scotland to further improve the quality and effectiveness of our Corporate Parenting and funding worth £212,000 has been awarded to support the implementation of a 3 year plan. The plan is to create an infrastructure giving our Looked After Children and Young People (including care leavers) a forum to effect change and influence policy over the processes and the procedures that affect their lives. In particular it is proposed to establish a "Champions Board" by merging core elements of the Corporate Parenting Board, the SUPPORT Forum and the Young People's Participation Group.

Being a Children's Champion offers an elected member a unique and exceptional opportunity to improve services for and change the lives of our Looked After Children and Young People. The Corporate Parenting Board is a strategic body that cannot readily be adapted to directly engage with our Looked After Children and Young People. The "Champions Board", however, will and there are now resources to develop and support the active participation of our Looked After Children and Young People in this forum. The Children and Families service aim to be sector leading and have a national reputation for supporting the participation of our Looked After Children and Young People in the planning and delivery of their care and support. The Children's Champions are a crucial part of this approach and the Council is invited to make 4 nominations, one from each geographical area, in this regard. Nominees will require to join the Protecting Vulnerable Group (PVG) Scheme.

5.0 CONCLUSION

The Council is being asked to make one appointment to the Community Services Committee as Councillor Len Scoullar had declined his appointment which was made at the Council meeting on 18 May 2017.

The Council has received a request from the Argyll and Bute Area Support Team to consider the appointment of one Elected Member to this outside body.

The Council has also received an invitation from COSLA to consider the nomination of one elected Member to be a Trustee of the Scottish National War Memorial.

The Council is further requested to consider making the following appointments/nominations:

- one appointment to the role of Armed Forces Champion
- four appointments, representative of each area, to the World War 1 Commemoration Steering Group
- four appointments, representative of each area, to the role of Children's Champion

6.0 IMPLICATIONS

6.1 Policy – Appointments to the positions outlined will support focus on policy.

6.2 Financial – Travel and Subsistence costs of Members attending meetings.

6.3 Legal - None

6.4 HR - None

6.5 Equalities - None

6.6 Risk – On-going vacancies pose a risk to effective elected member engagement in decision making processes.

6.7 Customer Service - None

Douglas Hendry
Executive Director of Customer Services
1 June 2017

For further information contact:
Charles Reppke, Head of Governance & Law 01546 604192

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank