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
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12 June 2018

NOTICE OF MEETING

A meeting of the **AUDIT AND SCRUTINY COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **TUESDAY, 19 JUNE 2018** at **11:15 AM**, which you are requested to attend.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

3. **MINUTES** (Pages 3 - 8)

   Minutes of the Audit and Scrutiny Committee held on Tuesday, 20 March 2018.

   AUDIT ITEMS

4. **INTERNAL AUDIT SUMMARY OF ACTIVITIES** (Pages 9 - 20)

   Report by Chief Internal Auditor

5. **INTERNAL AUDIT REPORTS TO AUDIT & SCRUTINY COMMITTEE 2018/19** (Pages 21 - 94)

   Report by Chief Internal Auditor

6. **INTERNAL AUDIT REPORT FOLLOW-UP 2017-18** (Pages 95 - 100)

   Report by Chief Internal Auditor

7. **ARGYLL AND BUTE COUNCIL MANAGEMENT REPORT 2017/18** (Pages 101 - 108)

   Report by Audit Scotland

Audit and Scrutiny Committee

Martin Caldwell (Chair)   Councillor Jim Findlay
Councillor George Freeman   Councillor Sir Jamie McGrigor
Councillor Alan Reid   Councillor Sandy Taylor (Vice-Chair)
Councillor Richard Trail   Councillor Andrew Vennard

Shona Barton, Area Committee Manager

Contact: Lynsey Innis, Senior Committee Assistant; Tel: 01546 604338

Agenda Item 3

MINUTES of MEETING of AUDIT AND SCRUTINY COMMITTEE held in the COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on TUESDAY, 20 MARCH 2018

Present: Martin Caldwell (Chair)

Councillor Jim Findlay   Councillor Sandy Taylor
Councillor George Freeman   Councillor Andrew Vennard
Councillor Alan Reid

Attending: Shona Barton, Area Committee Manager
Kirsty Flanagan, Head of Strategic Finance
Jane Fowler, Head of Improvement & HR
Laurence Slavin, Chief Internal Auditor
Sonya Thomas, Performance Management & Improvement Officer
Lisa Bond, HR Officer
Daniel Galbraith, Team Leader
Leanne Rennie, Audit Assistant
David Meechan, Audit Scotland
David McConnell, Audit Scotland

1.   **APOLOGIES FOR ABSENCE**

Apologies for absence were intimated on behalf of Councillor Sir Jamie McGrigor.

2.   **DECLARATIONS OF INTEREST**

There were no Declarations of Interest intimated.

3.   **MINUTES**

The Minutes of the Audit and Scrutiny Committee, held on 1 December 2017 were approved as a true record.

4.   **INTERNAL AUDIT SUMMARY OF ACTIVITIES**

The Committee gave consideration to a report providing a summary of Internal Audit activity and progress during Quarter 4 against a number of areas, which included:

- 2017/18 Audit Plan Progress;
- Individual Audits undertaken;
- Continuous Monitoring Programme Testing; and
- Performance indicators

Decision:

The Committee agreed to endorse the report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

Councillor Sandy Taylor left the meeting at 11.43am.
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5.   **INTERNAL AUDIT REPORTS TO AUDIT & SCRUTINY COMMITTEE**

The Committee gave consideration to a report containing the action plans in relation to the following 4 audits:

- Earmarked Reserves;
- Catering – Compliance with Nutritional Guidelines;
- Rural Resettlement Fund; and
- Leisure Management Booking System

Decision:

The Committee endorsed the summary report and detail within each individual report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

6.   **INTERNAL AUDIT REPORT FOLLOW UP 2017-18**

The Committee gave consideration to a report and accompanying appendices which documented the results from a review performed by Internal Audit into the progress made by departmental management across all services in completing actions which were due to be implemented by 31 December 2017.

Decision:

The Committee endorsed the content of the report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

7.   **2018/19 INTERNAL AUDIT ANNUAL PLAN**

The Committee gave consideration to a report introducing the 2018/19 Internal Audit Annual Audit Plan. The Committee noted that in December and January, the Chief Internal Auditor presented the draft plan, which had previously been presented to the Committee at its meeting on 1 December 2017, to the Council's three Departmental Management Teams and the Strategic Finance Management Team to obtain feedback on the proposed reviews. Members noted that these, and further discussions with appropriate officers, have resulted in changes between the draft plan and final plan.

Decision:

The Committee agreed:

1. to note the changes between the draft 2018/19 Internal Audit annual plan, presented to Committee in December 2017 and the proposed final 2018/19 plan (as per Appendix 1 of the report); and
2. to approve the Internal Audit Annual Plan 2018/19 (as per Appendix 2 of the report).

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

8.   INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL

The Committee gave consideration to a report outlining the proposed changes to the Internal Audit Charter and Internal Audit Manual, which have been updated to reflect changes in the working practices within Internal Audit and to better align them with the requirement of the Public Sector Internal Audit Standards (PSIAS).

Decision:

The Committee agreed:

1. to approve the amended Internal Audit Charter; and
2. to approve the amended Internal Audit Manual

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

9.   DRAFT ANNUAL AUDIT PLAN 2017/18

The Committee gave consideration to the draft Annual Audit Plan 2017/18 from Audit Scotland. The plan included information on the risks, scope and timing of planned work.

Discussion took place in respect of the developing financial position of the Argyll and Bute Integration Joint Board with Members expressing concern as to the potential impact on the Council in the future.

Decision:

The Committee endorsed the report.

10.   SCRUTINY FRAMEWORK

The Committee gave consideration to a report presenting the proposed scrutiny framework incorporating the scrutiny prioritisation process and the proposed terms of reference for the scrutiny aspect of the Audit and Scrutiny Committee.

Decision:

The Committee agreed:

1. to approve the scrutiny framework, incorporated scrutiny prioritisation process and the terms of reference which will be appended to the existing terms of reference for the audit aspect of the Audit and Scrutiny Committee;

2. noted the Chief Internal Auditor's (CIA) intention to develop more detailed guidance manuals to help deliver scrutiny reviews;
3. agreed the next steps to develop the annual scrutiny work programme; and
4. noted the CIA's intent to consider the most effective way to resource the scrutiny work plan going forward.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

11.   COUNCIL PERFORMANCE REPORT - APRIL TO SEPTEMBER 2017

The Committee gave consideration to a report presenting the Council's performance report with associated scorecard for performance for FQ1 and FQ2 – April to September 2017.

Decision:

The Committee:

1. reviewed the Councils report and scorecard as presented for the purposes of scrutinising the Council's performance; and
2. noted the changes following the implementation of the Performance Improvement Framework and planned improvements for 2018/19.

(Ref: Report by Executive Director of Customer Services, dated 20 March 2018, submitted.)

12.   RISK MANAGEMENT OVERVIEW

The Committee gave consideration to a report which provided members with an update on the actions to further strengthen the Council's approach to risk management and also confirmed that a more detailed report would be brought to the Audit and Scrutiny Committee in 2018 to provide assurance over the management of risk across the Council.

Decision:

The Committee endorsed:

1. the content of the report
2. the revisions being made to the risk management process
3. the intention of the CIA to review the risk management manual to reflect agreed revisions and other appropriate amendments
4. that the Chief Executive will report to the Audit and Scrutiny Committee on the Council's Strategic Risks at the June Committee.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

13.   AUDIT SCOTLAND REPORT - FINANCIAL OVERVIEW 2016-17

The Committee gave consideration to a report summarising the key points from Audit Scotland's Financial Overview 2016-17 report, which included commentary alongside the questions for Councillors to consider.

The Committee noted the concerns over the demographic pressures faced by our IJB in an area of dispersed geography with our 25 populated inhabited islands and that this could influence the ability of our IJB to increase the level of reserves in upcoming years.

Decision:

The Committee agreed to note the key points from the Audit Scotland Financial Overview 2016-17 and the comments included in Appendix 1 alongside the suggested questions for Councillors.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

14. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

The Committee gave consideration to a report providing the Treasury Management Strategy Statement and Investment Strategy to the Audit and Scrutiny Committee for scrutiny.

Decision:

The Committee:

1. endorsed the approved Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within;
2. noted the use of Option 1 (statutory method) for the repayment of loan fund advances up to 31 March 2021 at an interest rate of 4.423%, with the exception of spend to save schemes where Option 4 (funding/income profile method) will be used; and
3. noted the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

15. **UNAUDITED ANNUAL ACCOUNTS 2017-18**

The Committee gave consideration to a report advising on the plans in place for financial year end 31 March 2018, and the preparation of the Council's Unaudited Annual Accounts for 2017-18.

Decision:

The Committee agreed to note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2018 in line with the Scottish Government's requirements.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

16. **AUDIT AND SCRUTINY COMMITTEE WORKPLAN**

    In order to facilitate forward planning of reports to the Audit and Scrutiny Committee Members considered the outline Audit Committee workplan.

    Decision

    The Committee noted the workplan.

    (Reference: Audit Committee Workplan dated 20 March 2018, submitted)

Agenda Item 4

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

INTERNAL AUDIT SUMMARY OF ACTIVITIES

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1. EXECUTIVE SUMMARY

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 1 of 2018/19.

1.2 Core activities together with a progress update statement are shown below.

- **2017/18 Audit Plan progress**: The audit plan is complete bar one report (SLA ICT) for which the fieldwork is complete and the report drafted. It is in the process of being cleared with management.

- **2018/19 Audit Plan progress**: The audit plan is currently on track.

- **Individual Audits undertaken**: Six audits have been completed during the period. Of these audits, one is rated as high, one as substantial, three as reasonable and one as limited.

- **Continuous Monitoring Programme Testing**: A number of auditable units are subject to continuous testing. Management have responded to previous quarter notifications and there are no outstanding issues.

- **Performance indicators**: Current status is green / on track.

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

INTERNAL AUDIT SUMMARY OF ACTIVITIES

2.   **INTRODUCTION**

2.1   The objective of the report is to provide an update on Internal Audit activity during Quarter 1 against a number of areas;

- 2017/18 Audit Plan completion
- 2018/19 Audit Plan progress
- Additional audit team activity
- Continuous monitoring
- Internal Audit development plan
- Performance indicators

3.   **RECOMMENDATIONS**

3.1   Members are requested to review and endorse this report.

4.   **DETAIL**

4.1   At the time of writing six audits have been completed (a combination of 2017/18 and 2018/19 audits) since the previous Committee in March 2018. One 2017/18 audit and three 2018/19 audits are currently in progress and these will be reported to the September 2018 Committee.

Audits Completed

- Trading Standards
- Waste Management
- Psychological Services
- Purchasing Cards
- General Data Protection Regulation
- Street Lighting

Audits In Progress

- ICT Service Level Agreements (SLAs)
- Organisational Culture
- Community Empowerment Act
- ALEO – LiveArgyll

4.2   In addition to those already in progress indicative audits planned for Quarter 2 2018/19 are:

- Environmental Services
- Equality & Diversity
- Financial Planning
- Adult Learning
- Members Services
- Planning Fees
- Operating Manual (Oban Airport)
- CareFirst
- Marine Services

4.3   **Additional updates from Quarter 1:**

- Audit Scotland have received correspondence raising concerns which have been grouped into three broad categories:

  o Governance of the Alcohol & Drug Partnership (ADP)
  o Performance monitoring relating to Addaction and Argyll and Bute Addiction Team (ABAT)
  o Procurement arrangements relating to Addaction and Children 1st.

  It has been agreed with Audit Scotland that internal audit will carry out a review relating to this correspondence. The Chief Internal Auditor (CIA) has held preliminary discussions with Audit Scotland and is working in conjunction with them to agree an audit scope and work programme. The conclusions of the audit will be reported to the Audit and Scrutiny Committee once it is complete. Audit Scotland plan to rely on the work of internal audit and will reflect their conclusions in their 2017/18 annual audit report.

- The CIA has been involved in the review and update of the risk management manual and risk registers. The revised manual was reported to the SMT in March 2018 and the updated strategic risk register and 'red' risks from the updated operational risk registers were reported to SMT in April 2018. The risk manual was also reported to the Policy and Resources committee on 24 May 2018.

- The CIA has completed the External Quality Assessment (EQA) of East Lothian Council. Our EQA, being performed by the FTF consortium, is currently in progress. FTF have advised that, due to a series of unforeseen events involving one of their clients they have been unable to complete their review in time for the June Committee. Instead their report will be presented to the September Audit and Scrutiny Committee. (Refer to Appendix 1)

- The Scrutiny Manual has been approved by SMT and is included as a separate agenda item to this committee

- Audit Scotland recently published a report on a high profile fraud incident within another Scottish local authority. Internal audit have reviewed this report, and a further report issued by the local authority affected, and developed additional test areas in order to minimise the risk of Argyll & Bute Council being vulnerable to a similar fraud. A summary of this work will be reported to the Audit and Scrutiny Committee once it is completed.

- The review of the existing continuous monitoring programme has been completed and a new master file is now in use by the team.

- Internal Audit have further developed their approach to team development days by inviting services to present to the team on key topics to share knowledge, enhance the audit team's profile and build the team's understating of the key risks and issues facing services. To date sessions have been arranged which focus on Self Directed Support, Corporate Governance and Roads Maintenance. We are grateful to those officers who have agreed to give of their time and share their experience with the team.

- The CIA has met with the CIAs of West Dunbartonshire Council, East Lothian Council, East Ayrshire Council and Falkirk Council to discuss audit approaches and share resources and good practice. He has also attended a scrutiny committee at Falkirk Council and discussed their approach to scrutiny with the Falkirk Democratic Services Manager.

4.4 Our continuous monitoring programme is generally focused on transactional type activity. Standard audit tests are applied which are relevant to each auditable unit. Control design tests look at whether the controls in place adequately address the potential risk event.

Control effectiveness is assessed in one of four categories as set out below.

Control Assessment	Definition
Effective	Indicates minimum uncontrolled risk due to strong controls in place which are operating effectively.
Satisfactory	Control mitigations are in place however refinement opportunity exists to further reduce risk and/or enhance compliance.
Improvement Needed	Residual risk exists which place some system objectives at risk. Indicates a need for improvement in either control design and/or compliance.
Weak	Significant residual risk exists with weaknesses identified in control design and/or compliance.

4.5 A follow up process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial actions. There are currently no outstanding follow-up points arising from previous quarters testing. Table 1 below summarises activity to date outlining issues arising and provides an overall level of control effectiveness with follow up detail.

Table 1: Continuous monitoring programme results:

Test Area	Controls Tested	Control Design	Control Effectiveness	Findings	Management Commentary
Payroll	Monthly payrun reports	Satisfactory	Satisfactory		

Test Area	Controls Tested	Control Design	Control Effectiveness	Findings	Management Commentary
Struan Lodge, Dunoon	Establishment Visit	Effective	Effective	N/A	N/A
Strone Primary	School fund compliance with circular 1.10.	Satisfactory	Satisfactory	Head Teacher list of bank accounts not maintained. School constitution required updating. Receipt numbers were not recorded in the cash book.	List of bank accounts to be created and maintained going forward. School constitution will be updated. Receipt numbers are now recorded in cash book.
Dunoon Youth Centre	Imprest check	Effective	Effective	N/A	N/A
Helensburgh IES Store	Stock control procedures	Effective	Effective	N/A	N/A

4.6 A follow up process for national reports is in place whereby management are advised of national reports published and asked to confirm what, if any, action is planned as a result of the report. Table 2 below details the National Reports issued during quarter 1.

Table 2: Issue of National Reports in Quarter 1:

National Report	Issued To	Detail	Management response/ Action taken
Audit of the City of Edinburgh Council	• Executive Director of Development & Infrastructure • Executive Director of Customer Services	"All councils must learn lessons to maintain the safety of public buildings following Edinburgh school wall collapse"	No specific action required by Argyll and Bute Council
Councils' use of arms-length organisation's (ALEOs)	• Presented to Audit & Scrutiny Committee as a separate agenda item.	"ALEOs can bring benefits but need careful consideration."	To be discussed as a separate agenda item.

4.7 National Fraud Initiative (NFI). Data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify potentially fraudulent claims and payments to be identified. Note though that the inclusion of personal data within a data matching

exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The Council is currently on track with the NFI upload timetable and, where matches have been identified, these are being reviewed. A reminder process is now in place to ensure that matches are reviewed on a timely basis.

Table 3: National Fraud Initiative Progress at 21/05/2018:

Operational Area	Total Matches	Rec Matches	Matches Complete	WIP	Match Description
CT to Elect Register	924	924	924	0	CT records to Electoral Register/ other data sets to ensure discount awarded to only those living alone aged over 18, taking into account disregarded occupants.
CT rising 18s	99	99	99	0	
CT to other Datasets	1080	1080	32	0	
Housing Benefits	500	29	165	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	740	146	227	4	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	194	156	194	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Private Residential Care Homes	50	23	50	0	Care home records to DWP data to identify deceased claimant with ongoing payments.
Housing Waiting list	433	416	420	3	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Personal Budgets	19	1	19	0	Direct payment records to those in other authorities, DWP and pension records to identify individuals claiming from multiple authorities, undisclosed income or where the claimant has died and payments ongoing.
Council Tax Reduction	729	13	306	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	4831	240	346	0	Analyses creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	176	68	68	0	Payroll records to Companies House and creditors data to identify employees who appear to have a personal interest in a company that the authority has traded with.

Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recov ering	Recovering Value £
2850	7	2756	4	90	4,059	3	4,059

4.8 The table below details progress against the actions points in our Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards. Additional actions have been added in respect of self-assessment activity and making improvements to our internal documentation, report templates and refreshing the continuous monitoring programme.

Table 4: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
Internal Audit Charter & Manual	Review the current Internal Audit charter and manual and update to better align to PSIAS and reflect changes to working practice. IA Charter and Manual was presented to the ASC committee in March 2018.	Complete	June 2018
Continuous monitoring	Review the current suite of controls reviewed under the continuous monitoring programme to identify whether it would benefit from revision. This review has been concluded and a master file has been created.	Complete	June 2018
Risk Management Manual	Review the current risk management manual and update where necessary. The RM manual was presented to SMT in March and P&R in May.	Complete	June 2018
PSIAS Assessment	Agree development actions arising from peer to peer review which is currently underway. Findings were scheduled to be reported to June ASC but now delayed till September ASC.	Delayed	September 2018
Audit risk universe	Review existing audit risk universe and update to reflect new service plans and better associate risk profiles to auditable units.	On track	September 2018
Response to high profile fraud report	Internal Audit have developed additional test areas in order to minimise the risk of the Council	On track	September 2018

Area For Improvement	Agreed Action	Progress Update	Timescale
	being vulnerable to a similar fraud that occurred in another Scottish local authority.		
Training and CPD	Formalise plans for internal audit training, including continuing professional development (CPD)	On track	On-going

4.9   Internal Audit scorecard data is available on pyramid. The indicators are currently showing as on track. The undernoted table is an extract of the key information.

Internal Audit Team Scorecard 2018– 19 – FQ1 18/19 (as at May 2018)			
TEAM RESOURCES			
PRDs IA Team G ➡	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	5	5	
Revenue Finance YTD Position Year End Outturn	BUDGET £10,479 £243,476	ACTUAL £8,593 £243,476	G ➡
BO28 Our processes and business procedures are efficient, cost effective and compliant (SF)			
Risk Management policy, strategy and guidance manual reviewed.	Status	Complete	G ⬆
	Target	On Track	
Risks Management Overview report approved	Status	On Track	G ⬆
	Target	Complete	
Review of Strategic Risk register	Status	Complete	G ⬆
	Target	Complete	
% of audit recommendations accepted	Actual	100%	G ➡
	Target	100%	
% customer satisfaction with audit reports	Actual	100%	G ⬆
	Target	80%	

5.   CONCLUSION

5.1   The 2017/18 Audit Plan is complete bar clearing one report with management

and the 2018/19 Audit Plan is on track. Continuous monitoring testing undertaken during the period has provided an overall effective level of assurance in respect of control design and effectiveness.

6.   IMPLICATIONS

6.1   Policy - Internal Audit continues to adopt a risk based approach to activity

6.2   Financial -None

6.3   Legal -None

6.4   HR - None

6.5   Equalities - None

6.6   Risk – None

6.7   Customer Service - None

Laurence Slavin
Chief Internal Auditor
19 June 2018

For further information contact:
Laurence Slavin, Chief Internal Auditor (01436 657694)

APPENDICES
   1. Letter to Chair of Audit and Scrutiny Committee from FT Consortium

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Martin Caldwell
Chair of Audit & Scrutiny Committee
Argyll & Bute Council
Kilmory
LOCHGILPHEAD
Argyll
PA31 8RT

Date	**7 June 2018**
Your Ref	
Our Ref	**TG/CM/EQA**
Enquiries to	**Tony Gaskin**
Extension	**56028 or 56262**
Direct Line	**01334 696028 or 01334 696262**
Email	**tony.gaskin@nhs.net**

Dear Martin,

ARGYLL AND BUTE COUNCIL EQA

In April 2018 FTF Audit & Management Services were appointed to carry out the External Quality Assessment (EQA) of Argyll & Bute Council's Internal Audit service.

I can confirm that the Chief Internal Auditor of Argyll & Bute Council, Laurence Slavin, provided all the relevant documents including a comprehensive self-assessment with a full evidence base to allow me to progress the EQA in a timescale that would ordinarily have been more than sufficient for our review to be complete by now.

Unfortunately, there have been a series of unforeseen events involving one of my clients that have meant that my time has been taken with a succession of national and local reviews and I have therefore been unable to review and validate the EQA in time for it to be available to your June Audit Committee

I hope to be in a position to complete the EQA by the end of June, and would stress that the delay is in no way attributed to the Chief Internal Auditor of Argyll & Bute Council, from whom we received extensive information to support his self-assessment, which at this stage appears to support compliance with PSIAS. I would highlight, however, that our opinion, when we complete the review, will only be made on the processes in place since his appointment and therefore no assurance will be provided on any predecessor systems and processes.

Yours sincerely

A Gaskin

A Gaskin
Chief Internal Auditor

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Agenda Item 5

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2018/2019

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1.   EXECUTIVE SUMMARY

1.1   There are seven audits being reported to the Audit and Scrutiny Committee.

1.2   The below table provides a summary of the conclusions for the audits performed. The full reports are included as appendices to this report.

Audit Name	Level of Assurance	High Actions	Medium Actions	Low Actions
Waste Management	Limited	2	4	1
Trading Standards	Reasonable	1	3	0
Purchasing Cards	Reasonable	0	3	3
Psychological Services	High	0	0	3
Street Lighting	Reasonable	1	1	2
General Data Protection Regulation	Substantial	0	1	0

1.3   Internal Audit provides a level of assurance upon completion of audit work. A definition for each assurance level is documented in each audit report.

2.   RECOMMENDATIONS

2.1   Audit and Scrutiny Committee to review and endorse this summary report and detail within each individual report.

3.   DETAIL

3.1   A high level summary of each completed audit report is noted below:

- **Waste Management:** This audit has a limited level of assurance meaning internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk. There are no formal procedures in place regarding the maintenance of the waste model nor clarity on how often the underlying assumptions in the model should be reviewed. Restoration and ongoing maintenance costs for Renewi sites have yet to be assessed. There is no risk register or business continuity plan in place to manage the risks associated with the contract or provide alternative service delivery in the event of an operational failure. Performance reporting was generally found to be sound though performance reporting by Renewi was not checked by Council staff.

- **Trading Standards:** This audit has a reasonable level of assurance as internal

control, governance and the management of risk are broadly reliable. Enforcement visits are undertaken and complaints processed appropriately however there is incorrect, incomplete and missing data in the Trading Standards Uniform database meaning information derived from it, including statutory and non-statutory returns, is unreliable. There is very little secondary review of data input to Uniform and too much reliance on officers/admin to undertake this task. Licences and certifications are processed in accordance with legislative and regulatory requirements. However there are very limited documented procedures in place to provide guidance to officers.

- **Purchasing Cards:** This audit has a reasonable level of assurance as internal control, governance and the management of risk are broadly reliable. Policies and procedures and system controls were in place in relation to the operation of the IntelliLink system. Three medium recommendations were made in relation to reviewing current practice for new user requests and the recovery of inappropriate expenditure, the requirement for authorisation of changes to card restrictions and reminding users of the importance of submitting valid receipts to support expenditure. Three low recommendations were made in relation to reminding users not to share purchase cards, the creation of a follow up process for cardholders/approvers repeatedly not meeting process deadlines for coding/approval and reminding cardholders and approvers of the types of spend appropriate through a purchase card.

- **Psychological Services:** This audit has a high level of assurance as internal control, governance and the management of risk are at a high standard. Policies and procedures cover the BPS Code of Ethics and Conduct and are followed by staff. Progress has been made towards delivery of the Children and Young People's Services plan with regular reporting in place. School visits were scheduled and undertaken to meet the needs of the children and young people. Training has been delivered to teachers and relevant others. Processes are in place to ensure that information is retained securely, accurately and retained for appropriate periods of time.

- **Street Lighting:** This audit has a reasonable level of assurance as internal control, governance and the management of risk are broadly reliable. Whilst the street lighting policy details maintenance standards and a number of documented procedures have been updated in the last three years to reflect the LED replacement programme further work is required to ensure policy and procedures reflect current working practices. Although planned inspections and maintenance were not carried out for four years, which is contrary to Council policy, the LED replacement programme which commenced in 2016 meant that all 14,000 street lights have been inspected and repairs carried out. The service needs to ensure a future programme of planned maintenance is agreed and delivered. There is appropriate performance reporting in Pyramid and quarterly performance reporting to the Economic, Development and Infrastructure Committee.

- **General Data Protection Regulation:** This audit has a substantial level of assurance as internal control, governance and the management of risk are broadly sound. There is clarity over the responsibility for ensuring GDPR compliance with appropriate progress monitoring and reporting in place. Appropriate procedures to ensure GDPR compliance have been prepared and forwarded to the relevant personnel which. The implementation of GDPR, and its associated risks is included in the Governance and Law risk register. The uptake of mandatory training on LEON by staff needs to be improved.

3. CONCLUSION

3.1 Management has accepted each of the reports submitted and have agreed responses and timescales in the respective action plans.

4. IMPLICATIONS

4.1 Policy - None

4.2 Financial - None

4.3 Legal - None

4.4 HR - None

4.5 Equalities - None

4.6 Risk - None

4.7 Customer Service – None

**Laurence Slavin
Chief Internal Auditor
19 June 2018**

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APPENDICES
1. Waste management audit report
2. Trading standards audit report
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Argyll & Bute Council - Internal Audit Report

April 2018

Final

Waste Management

Audit Opinion: Limited

	High	Medium	Low
Number of Findings	*2*	*4*	*1*

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Contents

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1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll & Bute Council's (the Council) system of internal control and governance in relation to waste management.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and we would like to record our appreciation for the cooperation and assistance we received from all officers over the course of the audit.

Background

4. Sending waste to landfill is not a sustainable or environmentally friendly solution. Legislation and guidelines have been established aimed at reducing the level of waste sent to landfill. One of the national measures introduced is the Scottish Landfill Tax which currently costs the Council £86.10 per tonne of waste sent to landfill. The Council currently have three separate contractual arrangements in place for waste collection across Argyll and Bute. These are:

   - mainland (except Helensburgh and Lomond) - 25 year Public Private Partnership (PPP) scheme with Renewi (formerly known as Shanks)
   - Helensburgh and Lomond - waste disposed of at third party sites outside Argyll and Bute
   - island sites - operated directly by the Council.

5. A Microsoft Excel based financial model (the Model) covering the three separate contractual arrangements has been developed to enable assessment of the waste strategy. The total waste budget for 2017/18 is £11.6 million, of which £7.2 million relates to the PPP contract with Renewi. This audit focused primarily on that PPP contract.

Scope

6. The scope of the audit was to ensure there are appropriate controls and governance over the management of the Renewi PPP contract and the maintenance of the Model.

Audit Opinion

7. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

8. Our overall audit opinion for this audit is that we can take a **limited** level of assurance. This means that internal control, governance and the management of risk are displaying a general

trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weaknesses must be addressed within a reasonable timescale with management allocating appropriate resources to the issues raised.

Key Findings

9. We have highlighted two high priority recommendations, four medium priority recommendations and one low priority recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Procedures should be established for the maintenance of the Model including ensuring the underlying assumptions in the Model are subject to periodic review.
- Restoration and ongoing maintenance costs of the Renewi sites should be assessed and provided for.
- Accuracy of monthly performance reports from Renewi should be periodically confirmed by Council personnel.
- Sites operated by Renewi should be subject to regular site inspections by Council personnel.
- A risk register should be established which documents mitigating actions for identified risks.
- A business continuity plan should be established.
- Income collected by Renewi on the Council's behalf should be checked.

10. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

11. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	The Model is subject to regular review to reflect changes of circumstances.	Limited	The Model was last reported to the Environment, Development and Infrastructure (ED&I) Committee in April 2016. There are no formal procedures regarding the maintenance of the Model nor clarity on how often the underlying assumptions in the Model should be reviewed. The current Model uses 2014/15 and 2015/16 data.
2	Performance reporting is effective with appropriate contract monitoring arrangements in place.	Reasonable	There is a comprehensive PPP contract in place. The accuracy of monthly performance reports from Renewi are not subject to review by Council personnel and inspections of sites operated by Renewi are not being regularly carried out. There are regular meetings between the Council and Renewi to discuss operational and contractual issues.

			There is quarterly reporting of key waste performance targets within Pyramid.
3	The PPP contract is subject to effective financial monitoring.	Reasonable	Payments are made monthly to Renewi based on a unitary charge linked to prior year tonnages which is subject to a reconciliation prepared by Renewi and checked by Council staff. Income collected by Renewi on the Council's behalf is not verified.
4	Appropriate measures are in place to ensure risks are effectively managed.	Limited	Restoration and ongoing maintenance costs for Renewi sites have yet to be assessed. There is no risk register or business continuity plan in place to manage risks associated with the contract or provide alternative service delivery in the event of an operational failure.

12. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Model is subject to regular review to reflect changes of circumstances.

13. The Model covers the 25 year period from 2015/16 to 2039/40 and incorporates the PPP Renewi contract which ends on 3 September 2026.

14. Strategic Finance are responsible for maintaining the Model however there are no documented procedures to support the maintenance of the Model or clarity on how often the Model should be reviewed to ensure that underlying assumptions and/or data remain appropriate. The Model uses data relevant to both the 2014/15 (e.g. 3rd party payments) and 2015/16 (e.g. Waste Manpower budgets) financial years. The Model also includes a wide range of assumptions including landfill tax and retail price index inflation. The current Model projects a cumulative deficit of £9.2 million against budget by 2039/40 on the assumption that the waste strategy does not change during that period. If assumptions are not reviewed timeously there is a risk the Model will generate projected Council liabilities which are materially different from actual liabilities incurred in future years.

Action Plan 1

15. An update on the Model was last reported to the ED&I Committee in April 2016. In February 2018 the Head of Roads and Amenity Services submitted a paper to the Council's Chief Officer Group which confirmed that the waste strategy needs to be updated to reflect the Scottish Government policy ban on non- biodegradable waste to landfill in 2021.

16. The Model reflects the two variations agreed with Renewi in regard to the PPP contract. The first related to the retention of island sites and the second to the introduction of co-mingled waste collection to enable the Council to meet its requirements in terms of the zero waste regulations.

17. The waste strategy paper presented to the ED&I Committee in April 2016 summarised a number of options open to the Council once the PPP contract comes to an end in September 2026. Discussions with management indicated that more detailed work on these options will be

carried out once the new waste strategy project manager is in place post March 2018. The Model will then be updated to reflect the agreed strategy.

Performance reporting is effective with appropriate contract monitoring arrangements in place

18. The PPP contract in place between the Council and Renewi outlines performance indicators and financial penalties which will be incurred in the event that Renewi fail to meet the agreed indicators. Renewi provide a monthly performance report based on the criteria outlined in the contract. Whilst issues arising from the performance reports are discussed at management meetings between the Council and Renewi there was no evidence that the Council perform periodic checks on the accuracy of the data in the reports.

Action Plan 3

19. Operational issues are discussed at quarterly operational meetings attended by appropriate personnel from the Council and Renewi. The Argyll and Bute Contract Development Group meets bi annually and is attended by the Head of Roads and Amenity Services and directors from Renewi.

20. Waste Management report contains various waste performance outcomes against targets on a quarterly basis within the Pyramid Performance Management System. This includes:

- percentage of waste recycled and composted
- percentage of waste recovered e.g. landfill
- combined percentage of waste recycled, composted and recovered
- percentage of waste to landfill
- tonnes of bio degradable municipal waste to landfill.

21. A recycling performance paper was presented to the ED&I Committee in March 2017 which outlined the Council's recycling and landfill diversion performance along with national policy, targets and regulations which are likely to impact on future performance.

22. Included within performance reporting is data on the number of inspections of Renewi sites carried out by council officers. Although the PPP contract does not specify the frequency of inspections by council officers a review of performance reports confirmed they are infrequent with only one carried out in the previous six months. Council inspections relate only to Civic Amenity sites which are carried out by local amenity wardens and predominantly focus on ensuring proper management of issues such as the disposal of trade/commercial waste.

Action Plan 4

The PPP contract is subject to effective financial monitoring

23. Renewi prepare an annual reconciliation as agreed in the project agreement. The purpose of this is to determine any under/over payments due to/from Renewi for the previous financial year as well as the basis of the unitary charge for the following year. The agreement details eight separate criteria to be included within the reconciliation such as actual tonnage delivered and the actual total landfill tax paid. This is checked and agreed by council officers. The Head of Roads and Amenity Services then formally confirms with Renewi that the reconciliation is in accordance with the project agreement.

24. The Council receive 50% of all recycling income collected by Renewi on the Council's behalf. At the year-end Renewi provide council officers with a copy of all income invoices raised during the year however there is no reconciliation carried out between the income actually received and the copy invoices.

Action Plan 7

25. The Council's year-end financial statements include appropriate information on the PPP contract as required by accounting standards.

Appropriate measures are in place to ensure risks are effectively managed

26. The Council's 2016/17 audited financial statements include a provision of £1.12 million to reflect the Council's total future liability for the restoration and aftercare costs in respect of landfill sites operated by the Council at Glengorm, Gartbreck and Gott Bay (based on the net present value of estimated future costs). Potential liabilities for sites currently operated by Renewi have yet to be assessed. It was noted that the 2018/19 budget pack included a cost demand pressure of £254k for 2018/19, £560k for 2019/20 and £560k for 2020/21 for projected overspends against the waste budget however this is to reflect projected annual deficits rather than restoration costs.

Action Plan 2

27. There is no risk register in place to help manage any risks identified in relation to the provision of the Renewi contract.

Action Plan 5

28. There is no business continuity plan in place to provide alternative service delivery in the event of a material operational disruption.

Action Plan 6

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	**Procedures and Periodic Model Review** There are no documented procedures in place to support the maintenance of the waste management financial model or clarity on how often the model should be reviewed to ensure that underlying assumptions and/or data remain appropriate.	Failure to have agreed procedures and processes in place may lead to loss of knowledge when staff members leave. If the Model is not subject to periodic review and update there is a risk that financial projections based on it are unreliable.	A waste model periodic review process is being drafted and will form part of the Waste Strategy. Details of the model review process will also be included as an annex to the upcoming waste ED&I Committee paper. It has been agreed with strategic finance that the model should be reviewed on an annual basis or in the event of any major structural/ regulatory/ contract change.	Fleet, Waste and Infrastructure Manager 31 May 2018

High	2	**Restoration and Ongoing Maintenance Costs** Assessment of future restoration costs and ongoing maintenance costs of Renewi sites should be carried out and financial provisions made where appropriate.	Failure to assess and provide fully for restoration and ongoing maintenance costs may lead to financial pressures not budgeted for.	A new asset management plan is being produced by 1 June 2018 and will detail all financial provisioning necessary for the on-going maintenance and restoration costs of Renewi sites. Details from this asset management plan will be included in the waste model.	Fleet, Waste and Infrastructure Manager 30 June 2018
Medium	3	**Performance Reporting** Renewi provide a monthly performance report based on the criteria outlined in the PPP contract. Whilst issues arising from the performance reports are discussed at management meetings between the Council and Renewi the Council do not perform periodic checks on the accuracy of the data in the reports.	Failure to periodically check performance reports may lead to inefficient service delivery or incorrect application of financial penalties.	Further periodic checks will be carried out and will be discussed with Renewi at the next contract management meeting. This will include the introduction of a balanced scorecard by the 9th of each month. The balanced scorecard will also be discussed at regular team meetings.	Fleet, Waste and Infrastructure Manager 31 May 2018

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Medium	4	**Renewi Site Inspections** Though the PPP agreement does not specify frequency of site inspections by the Council it was noted from a review of performance reports that they are infrequent.	Failure to regularly check sites run by Renewi may lead to the disposal of trade waste not being managed appropriately.	Amenity sites are currently checked by amenity wardens and will be discussed at the monthly operations meeting. Checks of Renewi landfill sites are conducted by the Performance Manager and Service Officer. These will be linked with the roving quarterly meetings. An increase in the frequency of periodic inspections is planned by linking this to quarterly meetings.	Fleet, Waste and Infrastructure Manager 31 May 2018

Medium	5	**Risk Register** There is no risk register in place to help manage any risks identified in relation to the provision of the Renewi contract.	Failure to identify risks with corresponding mitigation may lead to financial loss or inefficient service delivery.	A risk register is currently being produced. An internal risk workshop was held on the 28 March 2018 which included strategic finance. A monthly review of the register has been agreed and details of top risks and/or new risks will be included in a monthly highlight report. A further risk workshop with the whole waste team and strategic finance has been scheduled for mid-May at the latest.	Fleet, Waste and Infrastructure Manager 31 May 2018
Medium	6	**Business Continuity Plan (BCP)** There is no BCP in place to provide alternative service delivery in the event of a material operational disruption.	Failure to have a BCP in place may lead to failure to achieve recycle target tonnages in the event of operational disruption.	A BCP is currently being produced and outline of the BCP will be included in the June ED&I Committee paper.	Fleet, Waste and Infrastructure Manager 30 June 2018

| | 7 | **Income Reconciliation**

The Council receive 50% of all recycling income collected by Renewi on the Council's behalf. At the year-end Renewi provide council officers with a copy of all income invoices raised during the year however there is no reconciliation carried out between the income actually received and the copy invoices. | Failure to verify income received by Renewi on the Council's behalf may lead to financial loss. | A reconciliation between the income actually received and the copy invoices will be carried out by the waste admin team. | Fleet, Waste and Infrastructure Manager

30 June 2018 |
|Low|---|---|---|---|---|

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Argyll & Bute Council – Internal Audit Report – Waste Management, April 2018

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

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Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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Argyll and Bute Council

Internal Audit Report

May 2018

FINAL

Trading Standards

Audit Opinion: Reasonable

	High	Medium	Low
Number of Findings	*1*	*3*	*0*

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1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Trading Standards.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Trading Standards is a regulatory service dealing with a wide range of Scottish, UK and European legislation relating to the quality, quantity, price, description and safety of goods and services.

5. The aim of the service is to "protect Argyll and Bute's residents, visitors and businesses and maintain a fair and safe trading environment where local businesses and consumers can thrive". Activities include fair trading, weights and measures, safety, quality and environment, age related sales, and licenses. In addition they can investigate criminal consumer complaints and provide scam prevention advice to vulnerable consumers and provide advice to businesses.

6. On 1 April 2017, there were 3,301 business premises recorded on the Council's Uniform database with 582 programmed visits scheduled during 2017/18. The net cost of the service in 2016/17 was £546k.

Scope

7. The scope of the audit was to assess the administration and controls surrounding the application of statute and council policy within the Trading Standards service.   We reviewed processes and procedures in place with testing carried out to assess the operation of controls and compliance with legal/regulatory requirements as outlined in the terms of reference agreed with the Head of Planning, Housing and Regulatory services on 12 February 2018.

Audit Opinion

8. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full detail of the five possible categories of audit opinion is provided in Appendix 2 to this report.

9. Our overall audit opinion for this audit is that we can take a **reasonable** level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which

have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Key Findings

10. We have highlighted one high priority recommendation and three medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Uniform and General Enforcement Forms (GEF) require updating to ensure their data fields match.
- Documentation should be scanned into the document management system for all visits undertaken.
- Data input into Uniform should be subject to secondary review.
- Standard operating procedures should be established for all key processes within the Trading Standards service.

11. We can confirm that a Trading Standards Improvement Plan, developed jointly by service management and staff to secure a range of improvements and efficiencies, is in place and we recognise that a number of the audit's key findings are already reflected in the plan including the review and development of policies and procedures, better use of systems and technology, improved reporting arrangements and service redesign. Work is ongoing to implement the improvement actions in the plan.

12. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	The Council undertakes its statutory duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.	Limited	Enforcement visits are undertaken and complaints processed appropriately. However testing identified incorrect, incomplete and missing data in Uniform meaning information derived from it, including statutory and non-statutory returns, is unreliable. There is very little secondary review of data input to Uniform and too much reliance on officers /admin to undertake this task.
2	Licences are issued in accordance with legislation and approved policy and guidelines.	Reasonable	Licences and certifications are processed in accordance with legislative and regulatory requirements however processes to issue licences, certificates, registrations and approvals are not documented.

	Control Objective	Assessment	Summary Conclusion
3	The Council undertakes its discretionary duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.	Substantial	Debt counselling guidance has been drafted and is complied with.
4	Governance arrangements are in place and are consistent with approved policies and guidelines.	Reasonable	Liaison and joint-working arrangements with relevant bodies are well established. There are very limited documented procedures in place.

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council undertakes its statutory duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.

15. The Trading Standards visit master schedule was reviewed to assess compliance with the Association of Chief Trading Standards Officers (ACTSO) Risk Assessment Scheme 2013. A sample of 30 premises was reviewed with risk scores, business classifications and visit frequency found to be compliant. The current annual target is to complete 100% of high risk visits and 90% of upper and lower medium risk visits. At the time of the audit the high risk visits were complete and upper medium risk visits were approaching completion. Lower medium risk visits, whilst making good progress, have been de-prioritised due to resource pressures.

16. Information recorded on the GEF is input to Uniform following visits. Information was found to be missing from Uniform in three instances and contained incorrect or partial information in a further ten instances; seven had been updated correctly. The remaining ten visits did not require any input as they were programmed for later in the year.

17. The legislation governing Trading Standards Officers (TSOs) visits is subject to regular change and update. The data fields on the GEF and in Uniform are not consistent, thus causing difficulties when inputting GEF information into Uniform, especially when admin staff are required to update Uniform and do not have the technical knowledge to interpret entries.

18. Under section 70 of the 1985 Weights and Measures Act the Council has a statutory requirement to report the level of local weights and measures enforcement work conducted over a twelve month period to the Secretary of State. As information in Uniform is missing or incorrect, reports generated do not reflect the correct figures for this statutory return. Consequently it is submitted with a declaration stating information is inaccurate. There have been no repercussions to date regarding submissions however the service is failing in its duty to provide accurate information.

Action Plan 1

19. Documentation had not been scanned into the document management system for seven of the twenty visits undertaken to open premises. This documentation is required to evidence that a visit has taken place or to enable review by a TSO or Trading Standards Manager (TSM).

Action Plan 2

20. There is very little secondary review of data input to the Uniform system by admin staff either by a TSO or TSM. There is a risk that data input errors will not be identified and corrected and that possible training requirements will not be identified. This has already been identified by the TSM and is included within the Trading Standards Improvement Plan. In addition to the errors highlighted at paragraph 16 our audit also identified:

- one complaint which should have been recorded as a business advice request
- one potential criminal case which had failed to be input to the system
- two complaints without closing dates
- two complaints with no clear final outcomes stated.

Action Plan 3

21. The Council's website contains a wealth of information for consumers and businesses including advice leaflets from internal and external parties with links to other relevant organisations for further information.

Licences are issued in accordance with legislation and approved policy and guidelines

22. There is a process in place for Trading Standards to issue licences, certificates, registrations and approvals for petroleum, fireworks and explosives, and animal feed use premises which is operating well but not formally documented. This is referenced in the action plan raised at paragraph 27.

23. The paperwork for the issuing of four petroleum certificates issued within the western half of the Council area were selected for review and all were found to have been issued with valid certificates with appropriate documentation filed to support the applications. The register of licences is maintained in two spreadsheets (East and West) which are in different formats. Additionally, supporting documentation continues to be retained in hard copy in the east whereas the west has moved to electronic storage where practical.   We have not raised this as an action point as it is considered a housekeeping issue.

The Council undertakes its discretionary duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.

24. There are processes in place to provide clients with personal debt recovery action plans and debt arrangement schemes. The debt counselling guidance was reviewed and found to be comprehensive, covering the entire process from first contact/enquiry, through interview stages, decision, reviews and closure.

25. There is a robust process in place to ensure breaches of debt collection requirements are reported to relevant enforcement bodies however this process is not formally documented. This is referenced in the action plan raised at paragraph 27.

Governance arrangements are in place and are consistent with approved policies and guidelines.

26. Networking arrangements are in place with either the Regulatory Services Manager (RSM), TSM or occasionally other members of the team attending quarterly meetings of the Serious Organised Crime Group in Helensburgh along with Police, Immigration and Customs. Intelligence received from these meetings provides valuable insight into planning work on particular elements such as doorstep crime and telephone scams. The TSM also attends The Petroleum Enforcement Liaison group meetings as the national representative from Scotland, meetings of the Society of Chief Officers of Trading Standards in Scotland and various members of staff attend West of Scotland Liaison Group meetings.

27. A lack of up-to-date documented procedures was a common issue identified across a wide range of work areas. Admin staff have created some guidance notes to use as an aide memoire when carrying out duties; however, without the technical knowledge of management and officers, there is a risk that these notes may lead to misinterpretation and inaccurate recording of information in Uniform. Other processes where a lack of documented procedures was identified were:

- complaints management
- issuing licences, certificates, registrations and approvals for petroleum, fireworks and explosives, and animal feed use premises.

Action Plan 4

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	**Arrangements to produce statutory Section 70 report and other non-statutory reports** The data fields in Uniform and General Enforcement Form (GEF) should be reviewed and updated to ensure they are consistent and reflect current legislative and regulatory requirements.	Information may be recorded incorrectly resulting in management information and statutory and non-statutory reporting being inaccurate.	1. Liaise with other local authorities and the software provider (IDOX) to establish whether the system can produce the section 70 statutory return. 2. Should the system generated option be suitable, Uniform fields will be reviewed and thereafter updated where possible to generate the report. 3. Aide memoire to be prepared & used when inputting GEF data to Uniform. 4. Provide training to staff on new system and reporting requirements including procedure. 5. Introduce actions to generate the section 70 statutory report. 6. Audit procedure to be introduced to ensure accuracy of statutory returns.	Trading Standards Manager Dates: 1. 30 June 2018 2. 30 June 2018 3. 30 June 2018 4. 31 July 2018 5. 31 July 2018 6. 31 July 2018

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	2	**Document Management System** Documentation had not been scanned into the document management system for seven of the twenty visits undertaken to open premises.	Trading Standards Officer (TSO) or Manager (TSM). May be unable to verify system input or evidence that a visit has been undertaken.	1. Remind staff to attach documentation to document management system. 2. Retrain staff in use of document management system. 3. Ensure staff attach documentation to document management system when updating Uniform system. 4. TSM to implement audit procedures to ensure all visits in Uniform have attached paperwork in document management system.	Trading Standards Manager Date: 30 June 2018 (all actions)
Medium	3	**Secondary Review of Data Input to Uniform** There is no evidence of secondary review of data input to the Uniform system by admin staff.	Data input errors will not be identified and corrected resulting in unreliable reporting. Training requirements may not be identified.	1. Information input by admin staff will be reviewed by TSO on a sample basis and noted in a review log. 2. TSM to review all input on a regular basis in accordance with internal monitoring plan. 3. New procedures to be implemented and training provided to staff on recording and use of Uniform.	Trading Standards Manager Dates: 1. 15 June 2018 2. 30 June 2018 3. 30 September 2018

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	4	**Standard Operating Procedures** There are very limited documented procedures for the majority of the areas of work within Trading Standards. Provision of step-by-step instructions would act as guidelines for employees to undertake work processes in a consistent manner in line with legal and regulatory requirements and best practice. Trading Standards should perform an exercise to identify all processes which would benefit from having documented procedures and then create a programme of work for them to be drafted and approved.	Information is gathered and processed inconsistently or incorrectly resulting in non-compliance with legislative and regulatory requirements.	Standard operating procedures will be prepared and reviewed by management in accordance with the Trading Standards Improvement Plan.	Trading Standards Manager Date: 31 December 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Argyll and Bute Council

Internal Audit Report

May 2018

FINAL

Purchasing Cards

Audit Opinion: Reasonable

	High	Medium	Low
Number of Findings	0	3	3

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1. Executive Summary

Introduction

1. As part of the 2018/19 internal audit plan, approved by the Audit & Scrutiny Committee in March 2018, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to purchasing cards.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. The Council uses purchasing cards for a wide range of purchases. The purchasing cards operate in a similar fashion to any type of bank card; they are unique to an individual with a personal PIN number. The cards can be set up for use in any shop or establishment that accept card payments.

5. The Council's card provider is NatWest and all purchase card transactions are recorded on Visa IntelliLink Spend Management System (IntelliLink). The Council went live with IntelliLink in late 2017.

6. There are approximately 170 purchase cards currently in circulation. The Council's creditors team is in the process of replacing existing imprest accounts with purchase cards where appropriate; meaning that the number of purchase cards in circulation is expected to increase.

7. The total value of purchase card expenditure in 2017/18 was in excess of £1.8 million; an increase of £0.5 million from 2016/17. The largest proportion of spend related to travel and subsistence booked through the Council's travel team.

8. There are no charges for using purchasing cards, with the exception of cash withdrawals. The bank currently offers an incentive scheme whereby a percentage is paid back to the Council based on expenditure through cards for the year. The rebate received last year for the period August 2016 – August 2017 was £4,422.

Scope

9. The scope of the audit was to review the general control environment in relation to the access to and use of purchasing cards and the adequacy of controls in place to support the use and operation of IntelliLink as outlined in the terms of reference agreed with the Head of Customer and Support Services on the 4 May 2018.

10. As part of the audit approach a short survey was submitted to 168 cardholders which asked:

    *   Are you aware of the procedure note/guidance in place in relation to the purchase card system?
    *   Have you received training on the use of purchase cards and the purchase card system?

- Is the purchase card for your sole use or is your card shared with other individuals?
- Can you give a brief description on what type of goods/services you procure using the purchase card?
- Any further comments?

11. We received 70 responses (42% response rate) which helped inform the key audit findings.

Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

13. Our overall audit opinion for this audit is that we can take a **reasonable** level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Key Findings

14. We have highlighted no high priority recommendations, three medium priority recommendations and three low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Standard operating procedures should be reviewed and updated to provide greater control over the application for and award of new purchase cards and the recovery of inappropriate expenditure.
- Requests for amendments to card restrictions should be subject to appropriate approval.
- Cardholders and approvers should be reminded that supporting documentation and valid VAT receipts (where appropriate) should be submitted to support expenditure.
- Cardholders should be reminded that purchase cards are not to be shared.
- Consideration should be given to creating a process to follow up on cardholders and /or approvers who are not following the coding/approval process on a regular basis.
- Cardholders should be reminded that purchase cards should only be used where other, potentially more cost effective, procurement methods are not available.

15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	The Council has appropriate and accessible policies / procedures to support the use of purchase cards and the operation of IntelliLink.	Substantial	There are appropriate procedure documents which provide guidance on the use of IntelliLink.
2	Controls are in place in relation to the access, use and operation of purchase cards and IntelliLink.	Reasonable	There is no formal process in place to request and authorise a new cardholder request. Cardholders are requested to complete and return a user agreement form however these are not always completed and returned to Creditors. Requests for changes to card restrictions are requested by the cardholder and no further authorisation is required. Instances of card sharing were also identified. Transactions not approved by the nominated approver by the time of the monthly deadline need to be approved by the system administrator, across a three month period a total of 143 transactions were approved by the system administrator.
3	Financial and management controls are in place and operating effectively.	Reasonable	Based on sample testing only 73% of transactions in IntelliLink had back up attached to support expenditure incurred. Furthermore appropriate documentation to support transactions incurring VAT is not always provided.
4	Documentation and system data is complete, accurate and compliant with the data retention policy.	Substantial	Purchase information is held securely in IntelliLink which is only accessible using a personal username and password. Cardholder information is retained on a password protected file, which is only accessible by appropriate officers.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council has appropriate and accessible policies/procedures to support the use of purchase cards and the operation of IntelliLink.

18. There are appropriate documented procedures to provide guidance on the operation of IntelliLink. These have been made available to cardholders and approvers.

19. Training sessions were delivered in July/August 2017 in Lochgilphead, Helensburgh, Campbeltown, Oban and Dunoon. All cardholders were made aware of the training and advised

to attend one of the sessions. Cardholders were also made aware that Lync training could be arranged on an individual basis for anyone unable to attend the training sessions.

20. 64% of cardholders who responded to the survey confirmed they had received training on the use of purchase cards and IntelliLink. There was also a 'further comments' box in the survey where a number of cardholders commented that; although they answered 'no' to the training question, they had received one to one training and the guidance and support offered by officers was effective and of a high quality.

21. Further training sessions are scheduled in July/August 2018 in Dunoon, Rothesay, Lochgilphead, Islay, Oban, Mull and Helensburgh for new cardholders and as a refresher for existing cardholders/approvers.

Controls are in place in relation to the access, use and operation of purchase cards and IntelliLink.

22. Requests for new cardholders are submitted to the Creditors Supervisor by departmental staff. There is no agreed protocol in place in to determine who can submit these requests and how they are submitted. Each card has an allocated approver on IntelliLink who is responsible for reviewing and approving the transactions processed by the cardholder. The approver is decided through discussions with departmental staff when the card is being set up. This process is not formalised.

Action Plan 1

23. Once a request is received bank forms are completed detailing transaction limits and merchant category restrictions for the card. Each card has an individual transaction limit, a cumulative monthly limit and there are 34 merchant categories that are either locked or unlocked. These limit the types of vendor that cards can be used to make purchases from. Completed bank forms are passed to the Head of Customer and Support Services for authorisation. Sample testing of 30 cardholders confirmed these controls are operating effectively.

24. Cardholders are required to complete a Purchasing Card Agreement form to confirm their acceptance of the terms and conditions regarding appropriate card use. Whilst agreement forms are issued with the purchase card they are often not completed and returned. User agreement forms could not be provided for any of a sample of ten selected for audit testing. It is recommended that the return of completed user agreement forms should be a mandatory step before purchase cards are issued to cardholders.

Action Plan 1

25. Guidance issued to cardholders' states that purchase cards should only be used for business purposes. Inappropriate expenditure should be identified by approvers when reviewing purchases made. If they identify inappropriate expenditure they are responsible for addressing this with the cardholder and recovering the expenditure. This responsibility, and the process to follow, is not incorporated in the procedure note issued to approvers.

Action Plan 1

26. After a card has been set up, if a cardholder requires a change to the approved financial limits or merchant categories, a request is submitted by the cardholder on a standard form. This form is not subject to authorisation nor is it retained by Creditors.

Action Plan 2

27. Purchase cards are intended for sole use only. This is clearly set out in guidance issued to cardholders which states *"It is also important to note that each cardholder is responsible for all purchases made with their card and therefore if other members of staff are required to make card purchases they should obtain their own card."* In response to the survey issued 17 (24%) of cardholders confirmed their card is shared with other individuals.

Action Plan 4

28. It is the responsibility of cardholders and approvers to access IntelliLink on a regular basis to review, code and approve transactions. A timetable is issued to the cardholders and approvers setting out the monthly deadlines for this to be completed. Reminders of these deadlines are issued to cardholders and approvers on a monthly basis. Individual reminders are also issued to cardholders and/or approvers where transactions are outstanding on IntelliLink. After the deadline has passed, the system administrator has to approve outstanding transactions in order for the transactions to transfer to the Council's general ledger system. When transactions are approved by the systems administrator the expenditure is charged to the default general ledger code associated with that card. This process may lead to inappropriate expenditure being authorised and transactions being charged to an incorrect ledger code. The table below details an analysis of three monthly transaction reports to assess the volume of transactions that were approved by the system administrator.

Month	No of transactions approved by Admin	% of overall transactions	Value of transactions approved by Admin
February	38	3%	£7,154.17
March	94	6%	£6,016.72
April	11	1%	£207.19

Action Plan 5

29. Access to IntelliLink is granted via an individual username and password with passwords needing to be changed approximately every 90 days. Transactions within the system are categorised per cardholder, so it is clearly identifiable whose card the purchase has been made with. System reports are available which detail the relevant cardholder, the approver of the transaction and other details such as cost, description and date.

30. There is an intention to replace the imprest accounts held by various council establishments with purchase cards. In some instances, it may be an operational requirement for users to use the cards to withdraw a sum of money from an ATM (e.g. for life skills in school and welfare payments by Social Work). In principle, we have no objection to this proposal as long as appropriate procedures and a control framework are established. There are bank charges associated with cash withdrawals so consideration should be given to a cost/benefit analysis of this proposal before it is implemented. Internal Audit would be available to provide support and guidance to officers to identify appropriate controls.

Financial and management controls are in place and operating effectively.

31. There is a three way monthly reconciliation to agree the total expenditure as per IntelliLink to the bank statement and the general ledger. This reconciliation is completed then submitted to the Head of Customer and Support Services for review and approval. The monthly charge is paid after this approval is obtained.

32. Both the cardholder and approver documented procedures clearly set out the requirement for cardholders to submit a valid VAT invoice/receipt for all transactions where VAT has been applied. More widely cardholders have been requested to attach receipts, where possible, for all transactions, but for vatable purchases at a minimum.

33. A sample of 30 transactions coded at standard rate VAT (20%) were tested to ensure that a valid VAT invoice/receipt was attached. 28 out of the 30 had back up attached however six of the 28 receipts were not valid VAT invoices/receipts as per HMRC requirements. Creditors were made aware of this issue as soon as it was identified and have issued an email to all cardholders/ approvers to remind them of the importance of submitting valid VAT back up for transactions subject to VAT.

34. Three IntelliLink monthly transaction reports were reviewed to determine the percentage of transactions that had a receipt attached. This concluded that, on average, receipts are only submitted for 73% of transactions.

Action Plan 3

35. The survey carried out identified a number of possible areas where purchase cards were being used to purchase goods that could potentially be procured in a more cost effective manner. Examples being accommodation and travel which should be booked by the Council travel team, large goods (such as white goods) which should be purchased via the PECOS purchasing system or staff subsistence which should be reclaimed using the Council's existing expenses procedures.

Action Plan 6

Documentation and system data is complete, accurate and compliant with the data retention policy.

36. Purchase information is held securely in IntelliLink which is only accessible using a personal username and password. Cardholder information is retained on a password protected file, which is only accessible by appropriate officers.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	**Standard Operating Procedures** A review of current processes and procedures highlighted the following control weaknesses: • No process in place for the submission of new cardholder requests or the nomination of an approver. • User agreement forms are not always completed and returned prior to purchase cards being issued. • No process in place to manage the recovery of expenditure from cardholders who have made inappropriate purchases.	Inappropriate use of purchase cards may occur with limited capacity to recover expenditure on unauthorised transactions.	Current practice will be reviewed and updated to provide greater control over the application for and award of new purchase cards and the recovery of inappropriate expenditure.	*Creditors Supervisor* *30 June 2018*
Medium	2	**Authorisation of Changes to Card Restrictions** Requests for changes to merchant categories and/or financial limits are submitted by cardholders on a standard form. The form does not require to be authorised by the nominated approver and the forms are not retained by Creditors.	There may be inappropriate changes to card restrictions, credit limits and a lack of audit trail.	Permanent change forms will require authorisation from the relevant approver.	*Creditors Supervisor* *30 June 2018*

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	3	**Invoices/Receipts to Support Expenditure** Based on sample testing of expenditure transactions: • 27% of transactions in IntelliLink had no appropriate supporting documentation to evidence expenditure • 26% transactions coded as standard rated VAT did not have a valid VAT invoice or receipt attached.	Inappropriate transactions may not be highlighted by approvers and the Council may incur VAT fine or penalties.	Monthly sample testing will be carried out by the system admin to ensure valid VAT invoices are attached to transactions subject to VAT. Cardholders and approvers will also be reminded at scheduled training that receipts should be attached wherever possible.	*Creditors Supervisor* *31 August 2018*
Low	4	**Purchase Card Sharing** Although guidance advises cardholders that cards are for sole use only 24% cardholders have indicated they share their cards with work colleagues.	Inappropriate use of purchase cards may occur with limited capacity to recover expenditure on unauthorised transactions.	Creditors supervisor will remind cardholders at scheduled training sessions that under no circumstances should cards be shared.	*Creditors Supervisor* *31 August 2018*
Low	5	**Administrator Approval of Transactions** Transactions not approved by the nominated approver by the time of the monthly deadline need to be approved by the system administrator. In this event the expenditure is approved and charged to the default general ledger code associated with that card. This may lead to inappropriate expenditure being authorised and transactions being charged to an incorrect ledger code.	Inappropriate expenditure may be authorised and expenditure may be charged to the wrong general ledger code	Management will consider implementing a process to follow up on cardholders and/or approvers who are not following the coding/ approval process on a regular basis.	*Creditors Supervisor* *31 August 2018*

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	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	6	**Nature of Spend** Survey responses indicated that some cardholders are using their purchase cards where other procurement methods are available which may be able to source more competitive prices.	The Council may not achieve best value for purchases.	Creditors supervisor will remind cardholders and approvers of the types of spend that are appropriate through a purchase card at scheduled training sessions.	*Creditors Supervisor* *31 August 2018*

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Argyll and Bute Council – Internal Audit Report – Purchasing Cards, May 2018

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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Argyll and Bute Council

Internal Audit Report

May 2018

FINAL

Educational Psychology Services 2017/18

Audit Opinion: *High*

	High	Medium	Low
Number of Findings	*0*	*0*	*3*

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Contents

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1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Educational Psychology.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. There is a statutory duty on every education authority in Scotland to provide a psychological service for their area. The British Psychological Society (BPS) states that all educational psychologists are expected to conform to the standards exemplified in the BPS Code of Ethics and Conduct (2009) and that educational psychologists must be registered with the Health and Care Professions Council (HCPC).

5. The Council's Educational Psychological Service (EPS) vision is, "To promote the wellbeing and development of all children and young people using the knowledge and evidence base of child psychology". The service aims to fulfil this vision by:

    *   undertaking high quality assessment, intervention and consultation
    *   working in close partnership with children and young people, parents and carers, schools and other agencies following Getting it right for every child (GIRFEC) principles
    *   raising attainment and promoting achievement through Curriculum for Excellence by training and developing the skills of others
    *   adopting a reflective and evaluative approach
    *   contributing to research and policy development.

6. EPS promote child development and learning, mainly with children and young people from birth to 19 years, through the application of psychology. EPS also works with schools and other agencies to support young people moving on from school to further education, training or employment.

7. The Council's Children & Young People's services plan 2017-20 sets out Mental Health & Wellbeing as a strategic priority which comprises of six individual outcomes. EPS contribute to the outcome 'Children and young people's mental health and wellbeing outcomes improve'.

8. The five core functions of a psychological service were defined by the Scottish Executive Education Department Review of Provision of Educational Psychology Services in Scotland 2000 (Currie Report), as consultation, assessment, intervention, training and research and strategic

development. The Council's internet page has a section on educational psychology which discusses the core functions in greater detail.

9. The EPS team consists of a principal educational psychologist, 5.8 FTE educational psychologists, one trainee educational psychologist and 1.4 FTE administrative support across four office bases.

Scope

10. The scope of the audit was to test compliance with documented policies and procedures and ensure these are aligned to relevant legislation and also undertake a review of general controls, specifically around the security and maintenance of data and records as outlined in the terms of reference agreed with the Head of Education: Lifelong Learning and Support on 10 April 2018.

Audit Opinion

11. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

12. Our overall audit opinion for this audit is that we can take a **high** level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with appropriately. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

Key Findings

13. We have highlighted three low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Pyramid performance measures should be reviewed and updated to ensure information is clearly presented.
- EPS staff should use a uniform version of the Consultation Form to ensure data is recorded in a consistent manner.
- Network access should be reviewed on a periodic basis to ensure access to sensitive data is restricted to appropriate officers.

14. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

15. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	There are appropriate and accessible policies and procedures in place.	High	Policies and procedures were found to be in place and available to staff covering core functions and BPS Code of Ethics and Conduct.
2	There is a process in place to review and monitor progress against the relevant outcomes in the Children and Young People's Services Plan and the wider Education Vision and strategy.	High	There is clear evidence of good progress in delivering the Children and Young People's Services Plan through performance reporting and provision of information to the Community Services Committee.
3	The service is operating in compliance with policies, procedures and relevant legislation.	High	Relevant policies, procedures and legislation are complied with and school visits are undertaken according to schedule and training is delivered as required.
4	Documentation is complete, accurate and is compliant with the data retention policy. It is stored securely and made available only to appropriate members of staff.	Substantial	Sufficient processes are in place to ensure information input to systems is accurate, retained for appropriate periods and staff are aware of GDPR compliance requirements. A review of user access to EPS data highlighted one officer that had been granted access in error. This has been promptly addressed however due to the sensitive nature of the data held period review of logical access should be carried out.

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

There are appropriate and accessible policies and procedures in place

17. There are policies and procedures in place which are made available to staff via the Council's shared network drive and internet site. They provide appropriate guidance on the core functions as required by the BPS code of ethics and conduct.

There is a process in place to review and monitor progress against the relevant outcomes in the Children and Young People's Services Plan and the wider Education Vision and Strategy.

18. The EPS Improvement Plan and the Education Strategy (Our Children Their Future) are closely aligned with the Children and Young People's Services Plan. There is clear evidence of good progress being made against these plans. This includes reports on standards and quality being published on the Council website, validated self-evaluation reports submitted to Education Scotland and performance reporting to the Community Services committee.

19. The Pyramid performance management system is predominantly updated accurately and on a timely basis with relevant performance information. However issues were identified in relation to the following measures in Pyramid:

   - *ED18_02 to effectively identify and respond to mental health issues deliver bespoke intervention training to all secondary establishments* – This contained conflicting targets with the narrative in one section advising the target is 100% but the data input section displaying a target and achievement of 50%.
   - *LAC Secondary Attainment 2014-15 onwards* – This has no narrative to describe the data being reported making it difficult to understand what is being reported.

   Action Plan 1

The service is operating in compliance with policies, procedures and relevant legislation

20. Education psychologists are registered with the HCPC and demonstrate a clear commitment to their work through the research and development work undertaken and shared with colleagues. The process followed by the EPS is consistent with the compliance guidance issued by the BPS.

21. The frequency of school visits are initially based on the school roll however educational psychology is a demand led service and visit frequency will vary throughout the year based on actual needs identified.   Education psychologists are allocated responsibility for a cluster of schools to provide consistency and familiarity with the children and young people involved unless another member of staff has a particular expertise that is required. Our sample testing confirms that visit schedules have been prepared, reviewed and appropriately revised to focus on the needs of children and young people.

22. Evidence of parental involvement was noted on all nine sampled files, however parental consent was not found on one file. This was due to the meeting being ended after a disagreement between the parents. EPS are currently pursuing the written consent form. This is considered to be an isolated incident and, as remedial action is being taken, no issue has been highlighted in the action plan. Where parental consent is not provided to allow EPS involvement, EPS will discuss support strategies with teachers where this is deemed to be appropriate.

23. The reason for EPS involvement was recorded on all sampled files and consultation forms were present however there was some variation in the format of the forms in use. This may lead to inconsistent recording of information or failure to meet the most up-to-date legislative requirements. Where deemed appropriate meetings have taken place with additional parties present as required e.g. speech and language therapist or social worker. It was clear that the level of involvement of the child or young person is appropriately considered.

   Action Plan 2

24. Consultation forms are appropriately completed and core information including progress being made by the child/young person documented. Timescales of involvement with EPS are agreed in accordance with visit schedules and communication between parties outwith formal visits recorded on file.

25. Of the nine sampled cases, five required review meetings. Documentation held on file confirmed that these meetings had taken place for all five.

26. Both formal and informal training is provided by EPS to teachers and relevant others, training is tailored to requirements identified and evaluation forms are issued and reviewed.

    Documentation is complete, accurate and is compliant with the data retention policy. It is stored securely and made available only to appropriate members of staff.

27. EPS data is stored on a shared network drive with access restricted to EPS staff. Access to the shared network drive is allocated through a central corporate process following appropriate authorisation. However an issue was identified whereby access that should have been granted to an EPS clerical assistant was granted to a different officer who did not work in EPS. This was due to the two officers having very similar names. The officer was unaware of this error and was not provided with the file-path required to access the EPS data. This is considered to have been an isolated incident of human error and, due to the very low level of staff turnover in EPS, is not thought to have exposed the council to a high level of risk. Corrective action has been taken to address this issue with the inappropriate access revoked. Due to the sensitive nature of the data held on the shared drive, periodic review of access rights should be carried out to ensure permissions remain appropriate. EPS also use SEEMIS (education system) and SharePoint, access to these systems follow a robust authorisation process and access is assigned appropriately.

    Action Plan 3

28. Manual (hard copy) files are retained by EPS staff at each of five locations whilst cases are ongoing.   They are held in locked cabinets and keys are held securely. Electronic files are closed following receipt of a discharge sheet and hard-copy files are stored in a secure location at the Council offices in Dunoon.

29. Sufficient processes are in place to ensure information input to systems is accurate, retained for appropriate periods and officers aware of GDPR compliance requirements.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	1	**Pyramid performance Information** Two issues were identified in relation to Pyramid performance measures. One (ED18_02) contained conflicting targets with the narrative setting a 100% target but the data input section having a target and achievement of 50% The other (LAC secondary attainment 2014-15 onwards) contained no narrative to describe the content making it difficult to understand what is being reported.	Conflicting targets and absence of narrative may result in confusion and possible misinterpretation of performance information.	Pyramid measures will be reviewed and updated as necessary.	Principal Educational Psychologist 31 December 2018
Low	2	**Consultation Form** Consultation forms were completed in all files reviewed however the format was inconsistent.	Information may not be gathered in a consistent manner or using the most up-to-date requirements.	Consultation form to be reviewed and agreed at the service development days in June 2018 in line with Solution Oriented Consultation principles and GDPR requirements. Agreed form will be passed to staff for uniform use.	Principal Educational Psychologist 31 August 2018
Low	3	**Network Access** Access to a shared network drive that should have been granted to an EPS clerical assistant was granted to a different officer who did not work in EPS.	Sensitive data may be viewed by inappropriate personnel.	Periodic review of network access rights will be undertaken.	Senior administrative Assistant in consultation with Principal Educational Psychologist 31 May 2018 and thereafter each school term

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Argyll & Bute Council - Internal Audit Report

May 2018

Final

Street Lighting

Audit Opinion: Reasonable

	High	Medium	Low
Number of Findings	*1*	*1*	*2*

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Contents

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1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll & Bute Council's (the Council) system of internal control and governance in relation to street lighting.

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and we would like to record our appreciation for the cooperation and assistance we received from all officers over the course of the audit.

Background

4. The Council owns and maintains approximately 14,000 illuminated signs and street lamps throughout Argyll and Bute. The Council employs permanent employees and two sub-contractors as lighting engineers to carry out repairs. The service is managed centrally by Roads and Amenity Services (R&AS), with area offices carrying out the day-to-day operations. To help manage the delivery of street lighting, R&AS use a system called WDM within which there is a lighting management subsystem (LMS).

5. In December 2015 the Policy and Resources Committee approved a lighting project to replace the Council's 14,000 street lights with LED energy efficient luminaires. This was approved by full Council in April 2016. The replacement programme commenced November 2016 and is expected to be completed in 2018.

Scope

6. The scope of the audit was to undertake a review of the relevant policies and procedures in place and ensure the service is operating in compliance with them. We also reviewed performance reporting to ensure service delivery is being appropriately monitored.

Audit Opinion

7. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

8. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Key Findings

9. We have highlighted one high recommendations, one medium recommendations and two low recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- The Council's street lighting policy and documented procedures should be reviewed to ensure they are comprehensive and reflect current working practices.
- Post completion of the LED project planned maintenance should be carried out as per a revised council policy
- Procedures should be documented to ensure the street lighting asset register is accurate and complete.
- The street lighting repair targets in documented procedures and the R&AS service plan should be consistent.

10. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

11. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	There are appropriate procedures/policies in place to support the maintenance of street lighting	Reasonable	Whilst the street lighting policy details maintenance standards and a number of documented procedures have been updated in the last three years to reflect the LED replacement programme further work is required to ensure policy and procedures reflect current working practices.
2	Street lighting inspections and repairs are carried out in line with agreed policy and procedures	Reasonable	Appropriate systems are in place to record repairs carried out against a target date and there is a satisfactory process to enable the public to report faults. As part of the LED project, inspections of street lighting assets and repairs have been carried out. However, prior to this there had been no planned maintenance for a period of four years. Street lighting assets are recorded in an asset register however there are no documented procedures in place to ensure the register is complete and accurate.
3	Monitoring of sub-contractors is effective with appropriate contracts in place	Reasonable	Monitoring of sub-contractors is outlined in contract award documentation including performance via a monthly appraisal. Progress of work carried out by sub-contractors is subject to monitoring to enable payments to be made however there was no formal recording of sub-contractor performance as specified in the Contract Award Recommendation Report (CARR). There are currently no sub-contractors working for the Council.

4	Performance reporting is accurate, complete, and regularly reported to the appropriate committees	Substantial	There is appropriate performance reporting in Pyramid and quarterly performance reporting to the Economic, Development and Infrastructure Committee (ED&I). There is also annual reporting via the Association of Public Service Excellence (APSE) which benchmarks council performance against other councils.

12. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

There are appropriate procedures/policies in place to support the maintenance of street lighting.

13. The current street lighting policy details maintenance standards and a number of service procedures have been revised as a result of the LED replacement programme. Some documented procedures, method statements and risk assessments have been reviewed in the last 18 months to 3 year period to reflect current working practices. There are priority allocations and corresponding response times in place for different categories of repairs. However there are still some areas where further work is required to ensure procedures reflect revised working practices.

Action Plan 1

14. The documented procedures establish the required response time for a repair dependant on whether the repair is categorised as emergency, routine fault, dark light or cable fault. These response times have been populated in the LMS with the currently agreed target of seven days however the 2018/19 R&AS service plan shows a target of ten days which management confirmed is an error. The LED replacement programme should result in a reduction in maintenance due to their greater reliability of LED luminaires and this is likely to result in changes to the approach to maintenance response.

Action Plan 4

Street lighting inspections and repairs are carried out in line with agreed policy and procedures

15. The street lighting policy confirms a requirement for "*Monthly inspection procedures to detect outages and planned electrical and structural inspections to identify potential problems and pre-empt in-service faults, while ensuring continual efficient operation and verification of inventory records.*"

16. To deliver the LED replacement programme (refer to paragraph 5) an electrical inspection of the 14,000 street lamps was carried out and repairs carried out where deemed necessary. Prior to this project commencing in 2016 no planned inspections and repairs had been carried out for a period of approximately four years. Once the LED project is completed a new policy document, which will incorporate the approach to maintenance, is to be drafted and submitted to the ED&I Committee for approval.

Action Plan 2

17. The LMS is used to record all repairs notified to and carried out by the lighting department. It assigns a unique reference to repairs along with a category allocation based on agreed priorities

as specified in the documented procedure. The date the works order is assigned and completed is recorded in LMS and LMS compares the completion date to the date the repair should have been completed by.

18. Street lighting assets are recorded in an asset register within LMS. All assets are assigned a unique asset tag. Street lighting assets are being updated automatically as a result of the LED replacement programme however there are no formal procedures in place to ensure the register is maintained beyond that.

Action Plan 3

19. The Council has an established system, on the Council website, to enable members of the public to report street lighting faults. Faults are also identified by lighting engineers during the normal course of their work. All faults reported are recorded within the LMS system and reviewed by a technical officer on a daily basis.

20. Complaints raised by members of public e.g. dark lights, are handled via the complaints section on the Council website or by phoning the Council's complaints number.

21. Lighting engineers are provided with appropriate training which is recorded on their employee file.

Monitoring of sub-contractors is effective with appropriate contracts in place

22. The Council do not currently employ sub-contractors to carry out street lighting repairs although they have done so within the previous year. The CARR relating to previously employed sub-contractors were to "*deliver repairs, maintenance and inspection works across Argyll and Bute to supplement internal resource within the Council*" and outlined the performance criteria including conducting a monthly appraisal of:

- timely response
- work fit for purpose including health and safety
- effective communication
- consistency of prices
- number of refused work packages.

23. Management confirmed that, whilst not formally documented, the progress of sub-contractors to deliver assigned works packages/instructions was monitored, as was the quality of work, before payments were made. The previous contracts did allow for contract termination in the event of a number of outcomes not being met including contract performance. Management confirmed that there were no issues with the performance of the sub-contractors previously employed. This was discussed with management who have confirmed that, going forward, if any sub-contractors are utilised they will be monitored appropriately both in terms of quality performance against industry standards and required specification. As there are currently no sub-contractors employed by the Council this assurance is considered sufficient and no action plan has been raised.

Performance reporting is accurate, complete, and regularly reported to the appropriate committees

24. On a quarterly basis street lighting update the Pyramid Performance Management System with the percentage of dark lamp repairs carried out within the five day target. The service has failed to meet the target for all four quarters within the financial year 2017/18. This is recognised in the quarter three performance report to the E&DI Committee which includes a reference to the challenges the department has in meeting these target times. The action against this challenge noted in the report was *" the provision of ongoing installation of LED street lighting will result in a more reliable and robust lighting infrastructure "*

25. Street lighting report on an annual basis to the APSE which benchmarks the Council's performance against other councils. Management also attend APSE meetings.

26. There are regular team meetings between management and lighting engineers to discuss operational issues although these meetings are not formally recorded. This is not considered a material concern.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	**Review of Documented Policy and Procedures** Whilst the street lighting policy details maintenance standards and a number of documented procedures have been updated in the last three years to reflect the LED replacement programme further work is required to ensure policy and procedures reflect current working practices.	Failure to review policy/procedures and processes regularly may lead to inefficient service delivery.	Review of policy and procedures will be carried out.	Contracts Manager 30 September 2018
Medium	2	**Inspections and Planned Maintenance** Street lighting inspections and therefore planned maintenance was not been carried out for approximately four years prior to the commencement of the LED replacement programme. Electrical inspections and repairs were carried out as part of the programme and a future programme of planned maintenance needs to be agreed.	Failure to carry out regular inspections and planned maintenance may result in an increase in reactionary maintenance which tends to be less cost effective.	Going forward planned maintenance and column assessments will be carried out per industry standards.	Contracts Manager 31 July 2018
Low	3	**Street Lighting Asset Register** The street lighting asset register has been updated as part of the LED replacement programme however there are no documented procedure in place to ensure it is maintained in future.	Failure to document the process involved in maintaining the asset register may lead to the asset register not being complete and accurate.	A standard operation procedure will be prepared to reflect update of asset register.	Contracts Manager 30 June 2018
Low	4	**Service Plan Not Aligned to Agreed Response Times** The repair response target times in the Council's documented procedures are not consistent with the target times in the R&AS 2018/19 service plan.	Failure to have a service plan that reflects agreed targets may lead to incorrect performance reporting.	Service plan will be amended.	Contracts Manager 30 June 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

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Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Argyll & Bute Council - Internal Audit Report

June 2018

Final

General Data Protection Regulations

Audit Opinion: Substantial

	High	Medium	Low
Number of Findings	0	1	0

Contents

Contact Details

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1. Executive Summary

Introduction

1. As part of the 2018/19 internal audit plan, approved by the Audit & Scrutiny Committee in March 2018, we have undertaken an audit of Argyll & Bute Council's (the Council) system of internal control and governance in relation to General Data Protection Regulations (GDPR).

2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.

3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and we would like to record our appreciation for the cooperation and assistance we received from all officers over the course of the audit.

Background

4. The EU legislation 2016/679 GDPR provides individuals with more power and control over their personal data by strengthening and unifying data protection for all EU individuals and more rights and control over how their personal data is handled by organisations such as the Council. The main changes are:

    Consent: The conditions for consent have been strengthened, and organisations must use consent requests which are clear and plain. It must be also be made as easy to withdraw consent as it is to give it.

    Breach Notification: Breach notification is mandatory where a data breach is likely to "result in a risk for the rights and freedoms of individuals". This must be done within 72 hours of first having become aware of the breach.

    Right to Access: Data subjects have the right to obtain from the data controller confirmation as to whether or not personal data concerning them is being processed, where and for what purpose.

    Right to be forgotten: This entitles the data subject to have their personal data erased, cease further dissemination of the data, and potentially have third parties halt processing of the data. The exceptions to this right are if the personal data belonging to the data subject is related to the delivery of a statutory service or to prospective legal claims.

    Data Portability: Data portability is the right for a data subject to receive the personal data concerning them, which they have previously provided, in a "commonly used and machine readable format" and have the right to transmit that data to another controller.

    Privacy by Design: Privacy by design requires the inclusion of data protection from the onset of the design of systems or process, rather than as an addition. This means the Council needs to consider data protection at the beginning and throughout the design process.

    Penalties: Under GDPR organisations in breach of GDPR can be fined up to 4% of annual global turnover or €20 Million (whichever is greater). This is the maximum fine that can be imposed for the most serious infringements, e.g. not having sufficient customer consent to process data or violating the Privacy by Design concepts. There is a tiered approach to fines, e.g. an organisation

can be fined 2% for not having their records in order, not notifying the supervising authority and data subject about a breach or not conducting an impact assessment. A fine of this level would have a major impact on service delivery.

5. The GDPR is in force from 25 May 2018 and the Data Protection Act 2018 was given Royal Assent on 23 May 2018

Scope

6. The scope of the audit was to ensure that appropriate governance and procedures are in place to ensure the Council will comply with the requirements of GDPR.

Audit Opinion

7. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion are provided in Appendix 2 to this report.

8. Our overall audit opinion for this audit is that we can take a **substantial** level of assurance. This means that internal control, governance and the management of risk are broadly sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Key Findings

9. We have highlighted one medium priority where we believe there is scope to strengthen the control and governance environment. This is summarised below:

   - Action should be taken to ensure mandatory GDPR training is carried out by all relevant staff.

10. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

11. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	There is appropriate governance in place to effectively manage the activity required to ensure GDPR compliance.	Substantial	There is clarity over responsibility for ensuring GDPR compliance with appropriate progress monitoring and reporting in place. The project was monitored via a Project Implementation Plan (PIP) which covered the main tasks required for compliance. Council staff have been informed of the key features of GDPR via the HUB and a GDPR training module is available on LEON however the uptake of this training needs to be improved.

2	Satisfactory progress is being made to ensure the Council has appropriate procedures in place to ensure GDPR compliance.	Substantial	Appropriate procedures have been prepared and forwarded to the relevant personnel which cover all areas of GDPR in order to ensure compliance. A total of 80 privacy notices covering all Council services have been prepared and checked, of which 72 are on the website. The remaining eight are subject to final check before inclusion on the website.
3	The Council has a GDPR risk register in place.	Substantial	The implementation of GDPR, and its associated risks is included in the Governance and Law risk register. Heads of service have been requested to consider adding a GDPR risk to their register.

12. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

There is appropriate governance in place to effectively manage the activity required to ensure GDPR compliance

13. The Governance and Law service is responsible for managing the project to ensure the GDPR compliance. To deliver the project the Governance & Risk Manager (G&RM) is supported by resources from Legal Services and a Special Projects Officer. As required by GDPR the Council have appointed a Data Protection Officer. This role is assigned to the G&RM.

14. The G&RM chairs the Council's Information Security Forum (ISF) with members of the ISF acting as lead officers who liaise with services to provide support and guidance to prepare for GDPR. The ISF meets regularly and it is clear that it gives appropriate attention to GDPR compliance.

15. The project is managed using a PIP which covers the main tasks required to ensure compliance with GDPR including due dates, a traffic light status and a comments section. Progress against the PIP is regularly reported to the Senior Management Team (SMT) and ISF via regular reports provided by the project team.

16. Key information on GDPR has been made available to employees via the Council HUB and a training course is available via the Council's online training module LEON. The course has been classified as mandatory for all staff who deal with personal data with a completion deadline of 31 May 2018. As at 31 May 2018, 2,366 members of staff have completed the course. This is 56% of staff.   A number of staff have restricted or no access to the LEON module, mainly manual workers, home helps etc. and guidance has been issued to the ISF reps to forward to appropriate managers to cascade the guidance to those staff groups. The list of staff on the LEON database included names of some staff that had left the organisation and the names of staff without network access, therefore the figure of 56% is likely to be higher.

Action Plan 1

Satisfactory progress is being made to ensure the Council has appropriate procedures in place to ensure GDPR compliance

17. GDPR requires the Council to document the personal data it holds, where it came from and who they share it with. Each service already has an Information Asser Register (IAR) that summarises the data they hold across various IT platforms. Guidance was issued that outlined what additional information should be included in these IARs to address GDPR compliance and all IAR's are compliant. It should be noted the IAR's are 'live' documents and will require ongoing review in regard to Records Management requirements.

18. The Council are required to supply data subjects with information, such as the requirement to explain the lawful basis for processing their data, data retention periods and the right to complain to the Information Commissioner Officer (ICO) if they are concerned about the manner in which the Council is handling their data. The ICO recommend that this information is provided via a privacy notice. There is guidance outlining the various scenarios where the Council can legally process an individual's data and also guidance for services to enable them to prepare the privacy notices. All privacy notices highlighted by the IAR review have been completed.

19. The Council had a requirement to prepare a total of 80 privacy notices across all services and 72 are on the website and eight are going through the final check before being passed to the web team for inclusion on the website.

20. GDPR sets out the various rights that individuals will now have and they have been included in the privacy notices with fuller details on the website. These include the right:

    - to be informed of data held
    - of access to data
    - to rectification of data
    - to erasure of data
    - to restrict processing
    - to data portability
    - to object to data held.

21. The Council needs to have procedures to manage enquiries from individuals about the personal data the Council may hold on them. Information is available to members of the public on their rights and the subject access request process on the website and guidance has been issued to staff on their role if they receive a subject access request, this is available on the HUB and information has been issued via a newsflash.

22. The Council needs to have a procedure enabling individuals to grant consent to process their data. The project team have provided assurances that the Council will not require individual consent for the delivery of the majority of Council services. Instead each privacy notice outlines the legal basis, as defined by the legislation, by which the Council will provide the service e.g. on a statutory basis in terms of the Education (Scotland) Act 1980 or Social Work (Scotland) Act 1968 or to carry out a task in the public interest or in terms of a contract. Areas where consent is currently held is considered as being compliant with the requirements of the new legislation, however, the ICO has recommended that there should be a systematic review of the procedures for obtaining consent to ensure future compliance. A briefing note, checklist and template relating to consent has been made available on the ISF SharePoint site and have also been issued to services and made available on the Data Protection page on the HUB.

23. In compliance with GDPR the Council has prepared a comprehensive data breach procedure document which defines the type of incident that would qualify as a data breach, who is responsible for reporting it, who it should be reported to and the reporting timescale.

24. The Council are required to consider data protection and privacy in the early stages of any project and throughout its lifecycle. E.g. when developing new information technology systems, developing policy or strategies or when embarking on a data sharing initiative. The project team has prepared a guidance note entitled "Privacy by Design and Data Protection Impact Assessment" which is available on the HUB and information advising staff has been included in the newsflash.

25. GDPR requires the Council to have data sharing arrangements with services internal to the Council and also external organisations. The project team have confirmed that work on data sharing agreements is being carried out in conjunction with procurement who are implementing amendments to current contracts to incorporate data processing agreements. Procurement agreements post 25 May 2018 will reflect the requirements of the GDPR and the Data Protection Act 2018.

The Council has a GDPR risk register in place

26. The implementation of GDPR, and its associated risks should feature in the operational risk registers for all services across the Council and a request has been sent to Heads of Service asking them to consider adding a risk to their register. The Governance and Law register includes the risk.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	**Completion of GDPR Training** A GDPR training module has been made available on LEON and is classified as mandatory for all staff who deal with personal data. A completion deadline of 31 May 2018 has been set. As at 21 May 2,366 members of staff have completed the course. This is 56% of staff.	Staff are not appropriately aware of GDPR requirements and what is required of them to ensure Council compliance.	Project team will remind Heads of Service by e-mail that relevant staff should complete LEON training module. In addition further guidance to non-network personnel on how they could access and complete the LEON module will be provided	Governance and Risk Manager 30 June 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.

Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Argyll & Bute Council – Internal Audit Report – General Data Protection Regulations, May 2018

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Agenda Item 6

ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE

AUDIT AND SCRUTINY COMMITTEE
19 JUNE 2018

INTERNAL AUDIT REPORT FOLLOW UP 2017-18.

1. EXECUTIVE SUMMARY

1.1 Internal Audit document the progress made by departmental management in implementing the actions agreed with Internal Audit. This report and attached appendices are the results from a review performed by Internal Audit for actions due to be implemented by 31 March 2018.

1.2 The process requires departmental Executive Directors assigning a 3rd tier officer to act as the sole contact for the follow up of agreed actions. The contact role involves updating both the Executive Directors and Internal Audit on progress with implementation of agreed actions.

1.3 Appendix 1 is a statistical summary of all agreed actions arising from Internal Audit reports by department. Detailed is the number of agreed actions due as at 31 March 2018, the number implemented, the number of agreed future actions and their status, e.g. on course etc.

1.4 Appendix 2 provides a summary as at 31 March 2018, of all delayed and rescheduled agreed actions from Internal Audit reports by department and service. Detailed is the report name along with the weakness identified, agreed management action, revised date, any previous implementation dates reported to the Audit and Scrutiny Committee, management comment and Pyramid status.

2 RECOMMENDATIONS

2.1 The Audit and Scrutiny Committee to review and endorse the content of this report.

3 CONCLUSION

3.1 Of the agreed actions due for completion by 31 March 2018, 13 have been completed. Internal Audit is satisfied with the status of the remaining four actions being delayed but rescheduled. Good progress is being made on the agreed actions due after 31 March with four being completed early. Further programmed testing of post follow-up actions will be undertaken via the continuous monitoring programme.

4. IMPLICATIONS

4.1 Policy: None

4.2 Financial: None

4.3	Legal:	None
4.4	HR:	None
4.5	Equalities:	None
4.6	Risk:	Failure to implement agreed actions leads to financial, physical and reputational loss and adversely impacts organisational objectives.
4.7	Customer Service:	None

Laurence Slavin
Chief Internal Auditor
19 June 2018

For further information please contact:
Laurence Slavin, Chief Internal Auditor, 01436 657694

APPENDIX 1

SERVICE SUMMARIES

AGREED ACTIONS DUE 01 JANUARY 2018 – 31 MARCH 2018

SERVICE	Complete	Delayed but rescheduled	Total
COMMUNITY & CULTURE	1	0	1
ECONOMIC DEVELOPMENT	2	0	2
EDUCATION	3	0	3
GOVERNANCE & LAW	3	0	3
IMPROVEMENT & HR	3	0	3
ROADS & AMENITY SERVICES	1	1	2
STRATEGIC FINANCE	0	3	3
TOTAL	**13**	**4**	**17**

AGREED ACTIONS DUE AFTER 31 MARCH 2018

SERVICE	Complete	On Course	Total
ADULT CARE	0	1	1
ECONOMIC DEVELOPMENT	0	1	1
EDUCATION	1	2	3
LIVEARGYLL	0	5	5
ROADS & AMENITY SERVICES	0	1	1
STRATEGIC FINANCE	3	1	4
TOTAL	**4**	**11**	**15**

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Recommendations Overdue 31 March 2018

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:

DEPARTMENT   CHIEF EXECUTIVE'S UNIT
SERVICE   STRATEGIC FINANCE
REPORT NAME   REVIEW OF FEES & CHARGES 2017/18

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
1	Limited evidence exists in respect of reviewing key factors when setting fees and charges **HIGH**	Work has already commenced in respect of some of the key factors outlined in the report however requires to be further developed. Each element will be considered and actioned, as appropriate, as part of the 18/19 Budget preparation exercise.	28 February 2018 **30 June 2018**	Delayed due to staff absence. A first draft has been prepared and will be discussed at our management team. It is important that this is prepared prior to preparations beginning for the budget 2019-20 and therefore 30 June 2018 allows good time for this	**Delayed but rescheduled** Head of Strategic Finance

REPORT NAME   REVIEW OF VALUE ADDED TAX 2017/18

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
2	VAT training has not been delivered to all staff involved in determining VAT treatment. **MEDIUM**	VAT training in the format of an e-learning module will be prepared to allow Argyll and Bute specific training to be delivered.	31 March 2018 **31 August 2018**	Completion of VAT e-learning module rescheduled for August 2018 due to relevant staff being involved in the Council's year end process.	**Delayed but rescheduled** Finance Manager, Corporate Support

REPORT NAME   STRATEGIC FINANCE - DEPARTMENTAL SUPPORT 2016/17

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
7	Trend analysis and unit costing are not commonly used in the budget monitoring and budget preparation process. **MEDIUM**	Where appropriate Unit Costing and Trend analysis will be incorporated into routine processes.	30 June 2017 31 August 2017 31 March 2018 **31 August 2018**	Delayed due to staff absence. Unit costs and trend analysis are used within some services, the intention is to ensure we have a corporate approach outlined and where this information is available and useful for other services this will be developed.	**Delayed but rescheduled** Finance Manager - Departmental Support

DEPARTMENT   DEVELOPMENT & INFRASTRUCTURE SERVICES

SERVICE   ROADS & AMENITY SERVICES
REPORT NAME   REVIEW OF PIERS AND HARBOURS 2017/18

| 4 | There is no external representation on the Harbour Board contrary to British Ports authority guidance. **MEDIUM** | A review of the current Harbour Board framework will be carried out. Thereafter, should any changes be required to the current regime, a report will be taken to a future Harbour Board meeting. | 28 February 2018 **30 November 2018** | Review of the composition is due by the end of June 2018. Any conclusions from this review need to be reported to a future Harbour Board meeting. There is no scheduled date for the next meeting however it is expected it will be held in November 2018. | **Delayed but rescheduled** Marine Operations Manager |

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Argyll and Bute Council

Management Report 2017/18

AUDIT SCOTLAND

Prepared for Argyll and Bute Council
June 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
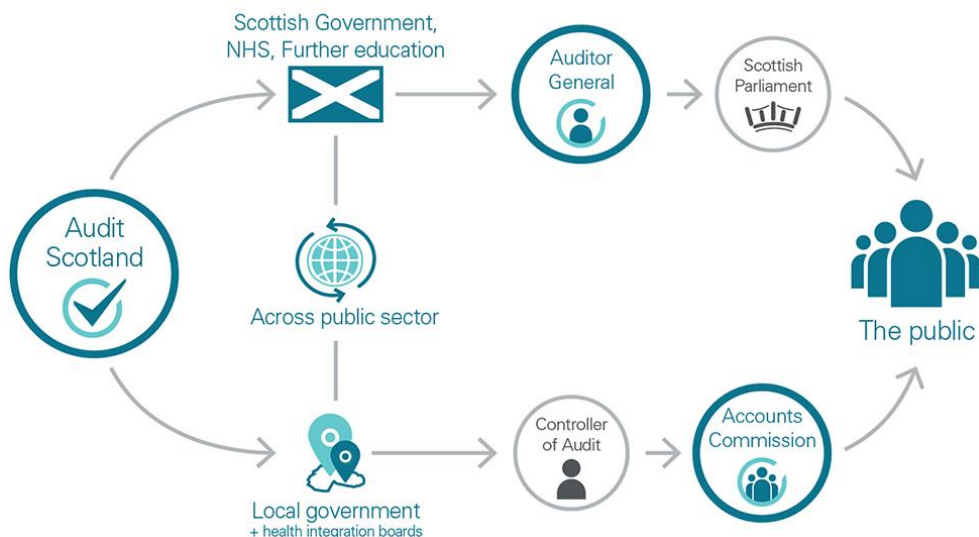
About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

4 |

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Argyll and Bute Council. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2017/18 annual accounts.

2. Our responsibilities under the *Code of Audit Practice* require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements

- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption

- complies with established policies, procedures, laws and regulations.

3. Also, we carried out work on the audit dimensions as required by the Code of Audit Practice. This focussed on financial management, financial sustainability, and governance and transparency.

Conclusion

4. We concluded that, overall, Argyll & Bute Council's systems of internal control were effective. We identified several control weaknesses as summarised in Exhibit 1 and, where appropriate, will be carrying out additional work in response to these findings. This will enable us to take planned assurance for our audit of the 2017/18 financial statements.

5. In terms of our wider dimension audit work we concluded that, in general, appropriate arrangements were in place for financial management and governance and transparency.

Work summary

6. Our 2017/18 interim work included testing of key controls in six core financial systems – receivables, non-domestic rates, council tax, general ledger, cash and banking and treasury management. We tested key controls such as IT access controls, ledger reconciliations and controls for preventing and detecting fraud in areas such as taxation receipts. Additionally, we tested changes of supplier bank details as no suitable audit trail of such amendments was available during 2016/17 (as reported in our 2016/17 interim report).

7. We also performed walkthrough testing of payroll and payables. This involved reviewing the key controls to confirm that they were operating as expected in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, feeder system reconciliations and IT access controls. Our review of key controls also covered budget monitoring and control, and controls for preventing and detecting fraud in areas such as payables.

Bank reconciliations   **Payroll controls**   **IT access**   **Budgets**

8. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, we placed reliance on the work of internal audit in the area of payroll exception reporting to avoid duplication of effort.

9. As part of our work on the 'wider dimension' aspects of public audit, we followed up on developments in council's financial planning arrangements and reviewed its budget monitoring and aspects of governance and transparency arrangements.

10. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Findings

Review of key controls in the main financial systems
11. We concluded that, overall, the council's systems of internal control are effective. Points arising from our review of key controls are detailed in Exhibit 1. These findings will inform our approach to the financial statements audit where relevant.

Early Substantive Testing
12. To enable us to have a more efficient approach to the final accounts audit, we have carried out substantive testing on transactions up to the end of January 2018 for payroll expenditure and for non-payroll expenditure. No significant issues arose from this testing.

Financial Management
13. We reviewed the budgetary control system and confirmed that there was satisfactory communication of accurate and timely information on financial performance to members through the regular financial monitoring reports to PRC.

14. We confirmed that there were appropriate arrangements in place to identify funding gaps through the regularly updated Budgetary Outlook Reports presented to Policy and Resources Committee (PRC). Reports were presented to PRC on the savings plans required to address funding gaps 2018/19 to 2020/21.

15. We reviewed monitoring of capital investment projects, confirming that regular updates were provided to PRC at key stages of individual projects. Reports demonstrated the rationale for investment decisions and funding methods. Members were able to question officers on any issues arising.

Financial Sustainability
16. In October 2017, the council approved a medium to long term financial strategy from 2018/19 to 2027/28. The underlying principles for the strategy were agreed by the council earlier in 2017 and these provided a high level framework for the strategy.

17. The strategy includes forecasts for revenue, capital and treasury management and details how the council plans to mitigate future budget gaps. There are detailed financial forecasts for the years 2018/19 – 20/21, with high level estimates for

6 |

2021-2028. Assumptions used in making financial projections are per best estimates as at September 2017, and scenario planning for best case, worst case and mid-range outcomes has been utilised to reflect the expected impact of changes in those assumptions. We are in the process of assessing the strategy against available good practice principles and will report our findings in the Annual Audit Report.

Governance and Transparency

18. We assessed the adequacy of the new Audit and Scrutiny Committee's (ASC's) scrutiny arrangements and examined the scrutiny framework approved by the ASC at its March 2018 meeting..

19. We confirmed that the ASC's Terms of Reference were updated and approved for inclusion in the updated council's constitution. The three-stage prioritisation process included within the scrutiny framework provides an objective and transparent methodology for exercising scrutiny over council policies and performance. We note that the first annual scrutiny plan is expected to be approved at the June 2018 ASC meeting and additional staff resource for internal audit is expected to be provided from summer 2018.

20. We concluded that the component elements for the scrutiny role of the ASC including the updated Terms of Reference, scrutiny framework, scrutiny work plan and additional internal audit resourcing are appropriate and are likely to facilitate effective scrutiny. We will assess the effectiveness of the ASC's scrutiny function during 2018/19, once this is fully operational.

Risks identified

21. The key control risks identified during the interim audit are detailed in Exhibit 1. These findings will inform our approach to the financial statements audit where relevant.

22. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to Argyll and Bute Council.

Exhibit 1
Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
Audit findings		
Receipts and Banking		
A daily cash reconciliation is prepared by Revenue Department which records income into the council from all sources and reconciles this to its recording in relevant bank accounts and general ledger. There is no evidence that these reconciliations were reviewed by a senior officer. Additionally, clearer descriptions could be provided of the information on each tab of the reconciliation spreadsheets. **There is a risk of errors going undetected if reconciliations are not**	The monthly bank reconciliation is already signed off by a senior officer. The Cash Supervisor will now sign off the daily bank reconciliation which is prepared by a member of her team. She will ensure that the labelling is sufficient for her to carry out her daily checks.	Fergus Walker Revenues and Benefits Manager 1 June 2018

Issue identified	Management response	Responsible officer and target date
reviewed by a secondary senior officer.		

Payroll

The council carries out an annual payroll validation (employee existence check) in April of each year. The Human Resources department circulates details of staff complement included in the payroll system to the relevant managers. Managers are required to respond with either confirming the details or advising of any amendments. For the April 2017 check, ten responses out of a total of 82 expected were not received. Follow-up emails were issued for 6 of these, but no further responses have been recorded. **If validation checks are not completed in full, there is a risk that errors or irregularities in staff complement are not identified. This could mean that payments could be made to staff no longer employed by the council.**	Since 2015/16 managers above LGE9 have been given profiles to allow them to see data on all employees in their team through the Council's MyView (MyTeam) system. Any inaccuracies are reported and rectified via email. A clear guidance document will be prepared and circulated to all managers explaining their responsibilities and maximum review period for existence, validation and hierarchy checks.	Mary Soudan 31 August 2018

Source: Audit Scotland

23. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Argyll and Bute Council

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ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

CHIEF EXECUTIVES UNIT   **19 JUNE 2018**

INTERNAL AUDIT – ANNUAL REPORT 2017/18

1.0 INTRODUCTION

1.1 The purpose of this report is to advise the Audit and Scrutiny Committee (the Committee) of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2017/18 and advise the Committee of the contents of the Chief Internal Auditor's (CIA) independent annual opinion on the effectiveness of the Council's risk management, internal control and governance processes.

1.2 The Public Sector Internal Audit Standards (PSIAS) became effective on 1st April 2013 and require that:

"The chief audit executive [ABC: Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

1.3 Attached as appendices to this report are:

- Appendix 1 – Summary of the audits completed in 2017/18
- Appendix 2 – Internal Audit Opinion

2.0 RECOMMENDATIONS

2.1 The Audit and Scrutiny Committee endorses the content of this report and the associated annual opinion of the CIA.

3.0 DETAIL

3.1 Internal Audit is an independent and objective assurance function designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's risk management, internal control and governance processes.

3.2 Internal Audit's purpose, authority and responsibilities are set out in detail in the Internal Audit Charter, which was most recently approved by the Committee in March 2018. Internal Audit reports its outputs regularly

throughout the year to the Committee. The Committee also approves Internal Audit's annual plan and monitors performance of the function.

3.3   The risk based audits contained within the 2017/18 Internal Audit Annual Plan are shown in the table included at Appendix 1. This shows the overall audit opinion for each audit and the number and significance of agreed actions. Due to the change in CIA in October 2017 one audit (Organisational Culture) has been rolled forward into 2018/19. This was reported to the Committee in December 2017.

3.4   Internal audit activity is planned to enable an independent annual opinion to be given by the CIA on the adequacy and effectiveness of internal controls within the authority, including the systems that achieve the corporate objectives of the Council and those that manage the material risks faced by the authority. It should be noted, however, that the presence of an effective internal audit function contributes towards, but is not a substitute for, effective control and it is primarily the responsibility of line management to establish internal controls so that the Council's activities are conducted in an efficient manner, to ensure that management policies and directives are adhered to and that assets and records are safeguarded.

3.5   Internal Audit operates as part of the Chief Executive's Unit and whilst I report to the Council's Head of Strategic Finance on an administrative basis, I also have unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Executive Directors including the Executive Director for Customer Services who is the Council's Monitoring Officer. I am pleased to confirm that Internal Audit operated throughout 2017/18 with no impairments or restrictions in scope or independence.

3.6   Internal Audit activity during the year was undertaken in accordance with the Internal Audit Annual Plan which was approved by the Committee in March 2017. During the year I made one amendment to the list of planned assignments included in the approved plan to enable the function to respond flexibly to changing circumstances since the plan was developed and approved. This change was verbally reported to the Committee in December 2017.

3.7   As reported to the Committee in March 2018 a number of changes have been made to the Council's risk management processes and a new risk management manual has been approved by the Strategic Management Team (SMT) and the Policy and Resources Committee. These improvements will be reported in the Council's Annual Governance Statement which will be incorporated into the Council's annual financial statements.

3.8   I am pleased to report that council officers have made excellent progress in terms of implementing audit recommendations with the majority of those currently outstanding being issues highlighted in reviews which have only recently been completed. Furthermore there are robust follow up procedures in place with reports taken to the SMT on a monthly basis.

3.9   Recommendations for improvement from this EQA process have been added to Internal Audit's 'Quality Assurance Improvement Plan' along with any other areas for improvement identified internally by the team. This plan is subject to quarterly review and update as a standing agenda item at the team's quarterly development meetings.

3.10   There is a formal requirement for me to prepare an annual opinion on the Council's organisation's internal control system. The opinion is presented to members of the Committee and is intended to provide independent and objective assurance as to the adequacy and effectiveness of internal controls within the Council.

3.11   In addition to the work carried out by internal audit, my opinion is also informed by:

        •   the work of External Audit
        •   the work of other external inspection agencies who report on the Council's work
        •   statements of assurances provided by the Chief Executive, Executive Directors and Heads of Service providing their opinion on the effectiveness of control, governance and risk management within their areas of responsibility.

3.12   My evaluation of the control environment is informed by these sources and in bringing these together, consideration has been given to whether there is evidence that any key controls are absent, inadequate or ineffective and whether the existence of any weaknesses identified, taken independently or with other findings, significantly impairs the Council's overall systems of internal control. Wider issues relating to the Council's corporate governance and risk management arrangements have also been considered.

3.13   The nature of individual audit assignments is such that most Internal Audit reports identify some weaknesses or areas where scope for improvement exists. However, I am pleased to report that, generally across the Council, there continues to be a strong recognition amongst management of the importance of proportionate but effective internal controls. Senior management has also established an operating culture where good standards of governance are seen as a key requirement in the way in which the Council conducts its activities.

3.14   During work undertaken in 2017/18 there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance. Although sometimes significant to the control environment in place for the individual system or areas that have been audited, I do not consider these weaknesses material enough to have a significant impact on the overall opinion on the adequacy of the Council's control environment at the year end.

3.15   My formal annual Internal Audit opinion on the soundness of the Council's internal control systems is presented at Appendix 2. Overall, the results of the work of Internal Audit in 2017/18 taken with other information available to me did not lead me to conclude that the

Council's overall systems of internal control were significantly or materially impaired.

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3.16   It has been a challenging year for the internal audit team. They have dealt with a change in CIA, with a new appointment in October 2017, and a number of changes to procedure and reporting which were introduced in the period between that appointment and the end of the financial year. Despite this they have worked well to deliver the audit plan and have responded well to the changes they have been asked to implement. It is my opinion that the profile of Internal Audit continues to improve within the Council and this will continue in 2018/19 with the roll out of a new approach to scrutiny.

3.17   On behalf of my team I would like to thank all Council staff who have assisted Internal Audit during the course of our work throughout 2017/18 and to thank senior management and elected members for the consideration and due regard given to our work.

4.0   CONCLUSION

4.1   Subject to the matters listed in the Annual Governance Statement reasonable assurance can be taken that the systems of governance and internal control are operating effectively. Internal Audit continues to develop and improve as a service.

5.0   IMPLICATIONS

5.1   Policy – None

5.2   Financial – None

5.3   Legal – None

5.4   HR – None

5.5   Equalities– None

5.6   Risk– None

5.7   Customer Service– None

Laurence Slavin
Chief Internal Auditor
19 June 2018

For further information contact: Laurence Slavin, Chief Internal Auditor Tel: 01436 657694, laurence.slavin@argyll-bute.gov.uk

APPENDICES
  1. Summary of the audits completed in 2017/18
  2. 2017/18 Internal Audit Opinion

Appendix 1 - Summary of 2017/18 Internal Audit 2017/18 Plan

Report Title	Overall Opinion	No. of Recommendations		
		High	Medium	Low
Catering Services	Substantial	0	2	2
Charging Orders	Substantial	0	3	1
Client Accounts	Reasonable	0	3	0
Crematoriums	High	0	0	1
Earmarked Reserves	Substantial	0	0	3
Educational Management Circulars	Substantial	0	1	0
Fees and Charges	Reasonable	1	2	0
Gifts and Hospitality	Substantial	1	0	1
Leader and Flag	Substantial	0	1	2
Leisure Management Booking System	Substantial	0	3	2
National Minimum Wage	Substantial	0	2	0
Oban Airport	Substantial	0	2	0
Organisational Culture (deferred till 2018/19)	N/A	N/A	N/A	N/A
Performance Management	Substantial	0	2	0
Piers and Harbours	Reasonable	1	3	1
Psychological Services	High	0	0	3
Records Management Plan	Substantial	2	1	0
Recruitment & Selection	Substantial	0	4	1
Rural Resettlement Fund	Substantial	0	1	1
SEEMIS	Reasonable	0	3	0
Service Level Agreements	TBC	TBC	TBC	TBC
Strategic Housing Fund	Substantial	0	2	0
Street Lighting	Reasonable	1	1	2
Travel and Subsistence	Substantial	1	1	3
Trading Standards	Reasonable	1	3	0
VAT	Reasonable	1	4	0
Waste Management	Limited	2	4	1
	Total	**11**	**48**	**24**
Risk Management	The 2017/18 Risk Management Overview report provided the A&SC with an overview of developments in progress regarding the risk management arrangements within the Council. It was not an audit of risk management.			

Total No. of Audits by Overall Opinion	High	2
	Substantial	15
	Reasonable	7
	Limited	1

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Appendix 2 - 2017/18 Internal Audit Opinion

To the Members of Argyll and Bute Council, the Chief Executive, other members of the Council's Senior Management Team including the Section 95 Officer (Head of Strategic Finance)

As the Chief Internal Auditor of Argyll and Bute Council (the Council), I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2018.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal financial control system.

The Council's framework of governance, risk management and internal control

The Council has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Council's internal control systems are to ensure:

- adherence to management policies and directives in order to achieve the organisation's objectives
- economic, efficient, effective and safe use of resources and assets
- the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records
- compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise the risks that would prevent the achievement of the Council's strategic objectives.

The work of internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Council's Internal Audit Section operates in accordance with the *Public Sector Internal Audit Standards* (PSIAS) which have been agreed to be adopted from 1 April 2013 by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that internal audit activity:

- is conducted in accordance with an Internal Audit Charter
- operates in an efficient and effective manner
- is perceived to be adding value and improving operations.

An internal self-assessment of internal audit practices was carried out by the Chief Internal Auditor in December 2017 with improvements identified and implemented as appropriate. PSIAS also requires, as outlined in Standard 1300 "QAIP", that:

> *"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation".*

To meet this requirement, a reciprocal arrangement to complete a programme of inspections has been developed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG). This process identified FTF Consortium as the body to undertake the independent review of the Council's Internal Audit function's level of compliance with PSIAS. This review is in progress at the time of writing this annual report. Its conclusions will be presented to the Audit and Scrutiny Committee in September 2018.

The Internal Audit Section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All Internal Audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and the Audit and Scrutiny Committee together with appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations.

The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. A programme of follow-up on assignment findings and recommendations provides

assurance on the complete and timeous implementation of internal audit recommendations.

Internal Audit staff regularly attended the following external user group meetings:

- SLACIAG, the purpose of which is to develop and improve the practice of internal audit activity with Scottish local authorities. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, working in partnership with other professional / governing bodies and promoting SLACIAG as the representative body for internal audit in local authorities. The Council's Chief Internal Auditor has attended all of the quarterly meetings of SLACIAG since his appointment in October 2017.

- SLACIAG Computer Audit sub group: a member of the audit team attends this forum which has the aim of ensuring that audit teams are better equipped to perform technical Information Systems auditing.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2018, including risk based audits, continuous monitoring and follow-up activity

- the assurance statements signed by the executive directors and heads of service on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2018

- the assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2018

- reports issued by the Council's external auditors, Audit Scotland, and other external review agencies

- my knowledge of the Council's governance, risk management and performance monitoring arrangements.

Limitation to Resources or Scope of Internal Audit Work

There were sufficient resources available to deliver the programme of audit assignments contained within the 2017/18 internal audit Plan and no significant threats emerged to the independence of the internal audit activity such as inappropriate scope or resource limitations.

Opinion

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2018.

Signature:

Title: Chief Internal Auditor
Date: 19 June 2018

Agenda Item 9

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

CHIEF EXECUTIVE   **19 JUNE 2018**

STRATEGIC RISK REGISTER

1.0   INTRODUCTION

1.1   This report provides members with an update on the Council's Strategic Risk Register (SRR) and summarises recent revisions to the Council's risk management processes.

2.0   RECOMMENDATIONS

2.1   It is recommended that the Audit and Scrutiny Committee endorse the updated SRR (Appendix 1).

3.0   DETAIL

3.1   The Council's Constitution requires the Chief Executive to attend one meeting of the Audit and Scrutiny Committee per annum to report on how the Council is addressing its key strategic risks and other matters of interest.

3.2   The SRR and the Operational Risks Registers (ORR) have been subject to regular review and update over the last few years with the format of both being subject to periodic change to reflect audit recommendations. Updates to the Performance Improvement Framework and the introduction of business outcomes and service plan challenges resulted in a need to further review the ORRs.

3.3   In early 2018 the Chief Internal Auditor reviewed the SRR and ORR process and proposed changes which were discussed and agreed by the Strategic Management Team (SMT). The Council's risk management manual has been revised to reflect these operational decisions, formalise the risk management process and provide guidance to officers on risk management. The revised manual, approved by the Policy and Resources Committee on 24 May 2018, confirms that the governance of risk management is the responsibility of the SMT and Departmental Management Teams (DMT) and that:

- SRR will be updated on a bi-annual basis by the SMT
- ORRs will be updated on a quarterly basis by DMT

3.4   Noted below are some of the key changes agreed:

- the ORR format is now very similar to the SRR and operational risks are no

longer categorised as 'supply' or 'demand'

- strategic risks are aligned to corporate outcomes and operational risks are aligned to service plan challenges
- key actions for risks to be 'treated' are documented
- an agreed timeframe for ORR to be reviewed has been agreed with SMT to ensure there is consistency across the departments
- risk registers are now documented in excel spreadsheets with consideration being given as to how this can be replicated in Pyramid
- SMT will review all risks in the ORRs classified as "red" by the DMTs.

3.5 In line with the agreed timeframe, all the ORRs were reviewed in April 2018 and the SMT reviewed and updated the SRR on 30 April 2018. As required by the revised risk management manual, the SMT also reviewed all risks in the ORRs which had been classified as 'red' by the DMTs.

3.6 Appendix 1 to this paper provides a copy of the current SRR and demonstrates how the Council are treating the identified risks in terms of the mitigations currently considered to be in place and the action being taken to further reduce the residual risk.

4.0 CONCLUSION

4.1 The SRR is subject to regular review by the SMT as are the red risks highlighted in ORRs by the DMTs. Risks are actively managed to reduce their impact upon the Council and the likelihood of them being realised.

5.0 IMPLICATIONS

5.1 Policy – None

5.2 Financial - None directly from this report however effective risk management assists with effective governance and stewardship of Council resources

5.3 Legal – None

5.4 HR - None

5.5 Equalities - None

5.6 Risk – The report sets out the strategic risks facing the Council

5.7 Customer Service - None

Cleland Sneddon
Chief Executive
19 June 2018

For further information please contact: Internal Audit (01436 657694)
Appendices:
1. Strategic Risk Register

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No	Risk	Corporate Outcome	Consequences	Gross Risk			Current Mitigation	Residual Risk			Approach	Key Actions and Deadlines	Last Reviewed	Risk Owner
				Imp	Lik	Sc		Imp	Lik	Sc				
1	**Population and Economic Decline** Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors.	Our Economy is diverse and thriving	Population decline reduces available funding impacting on Councils capacity to deliver services. A circle of decline with reduced employment, lower earning and failing businesses and poor perception of the area. Combined population and economic decline may increase the need for and cost of services. Insufficient people of working age with appropriate skills and experience to fill vacancies across CPP	5	4	20	1. Local outcome improvement plan targets population and economic recovery 2. Economic Forum 3.Rural resettlement fund 4. Maximise external funding opportunities 5. Strategic economic development action plan 6. Strategic infrastructure plan 7. Area economic development action plans 8.Promote and Market Argyll and Bute 9. Maximise social-eco benefits via effective partnership working	4	4	16	Treat	1.Deliver Rural Growth Deal (Initial Phase March 2020)	SMT 30 April 2018	Executive Director D & I
2	**Condition and suitability of Infrastructure & Asset Base** Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.	Our Infrastructure supports sustainable growth	Infrastructure and asset base does not support or is not aligned to business outcomes and does not aid effective service delivery. Infrastructure and asset base is allowed to deteriorate resulting in cost, lost opportunities and wasted resource.	4	4	16	1.Asset management board 2.Robust capital planning and monitoring 3. Asset management work plan 2018/2019 4. Business case modelling including sustainability, development and strategic change 5. Intelligence and best practice sharing via Heads of Property Group. 6.New schools programme 7.Smarter Places 8. Community Empowerment and Community Asset Transfer – Arrangements in place to evaluate and determine requests. 9. Roads Asset Management Plan 10. Status and Options Report	4	3	12	Treat	1. One Council Property Approach 2. Implementation of R&A Services control hub and joint operations team (Sept 2018) 3. Review the capital project prioritisation process (June 2018)	SMT 30 April 2018	Executive Directors of D & I and CS
3	**Financial Sustainability** Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes.	Enablers	Unable to deliver Local outcome improvement plan. Reduction in performance. Reputational damage.	4	4	16	1. Longer term financial planning. 2. Income generation activity 3. Robust budget preparation and budget monitoring protocols 4. Maintaining adequate contingency with reserves. 5. Digital transformation 6. Develop Effective workforce planning model 7. Transformation Programme.	4	3	12	Treat	1. SF Service restructure (Sept 2018) 2. Complete annual review of financial strategy (Nov 2018) 3. Reconstructing budget exercise (July 2018) 4. Deliver Rural Growth Deal (Initial Phase March 2020) 5. Review of PIF / Business Outcomes (December 2018) 6. Review of HSCP Scheme of Integration with a focus on the risk sharing arrangements (timing TBC)	SMT 30 April 2018	Head of Strategic Finance

#	Risk	Corporate Outcome	Consequences	L	I	Score	Controls	L	I	Score	Response	Actions	Review	Owner
4	**Governance and Leadership** Governance and leadership arrangements are not conducive to effective working and lead to a lack of strategic direction.	All Corporate Outcomes	Poor decision making, lack of strategic direction. Lack of operational direction. Confidence in, and reputation of, the Council harmed. Deterioration in performance	4	4	16	1. Administration in place with working majority 2. Members Seminar programmes 3. Mentoring and Coaching Support for policy leads and Senior Management 4. Priorities agreed by Council 5.Corporate Plan sets out objectives 7. Performance Improvement Framework and Service Planning. 8. Leadership development programme. 9. Council constitution regularly reviewed and updated. 10. Established partnership governance arrangements 11. Scrutiny arrangements in respect of Police, Fire and Health.	4	3	12	Treat	1. Roll out of new internal scrutiny arrangements (March 2019) 2. Preparation for BV audit (timing of BV currently unknown)	SMT 30 April 2018	Chief Executive
5	**Engagement and Understanding the needs of the Community** The Council fails to understand service user needs and emerging demographic trends and does not align service delivery to meet these.	People live active, healthier and independent lives Enablers	Prioritisation of services may not be aligned to community needs/views Gaps between community needs and Council services. Ineffective partnership working Services not configured to meet user/citizen requirements	3	4	12	1. Community Planning partnership 2. Community Engagement Strategy 3.Customer Service Board 4. Operation and development of panels and forums. Young people's plan, citizens panel 5. Budget Consultation 6.Comprehensive Complaints Protocols 7.Demographic and end user analysis	3	2	6	Tolerate	1. Future of Public Services Roadshows (June 2018)	SMT 30 April 2018	Chief Executive All Heads of Service
6	**Service Delivery** Insufficient resources to ensure effective service delivery	Enablers	Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives Resources are poorly managed with result that agreed outcomes and objectives are not fully achieved. Unable to achieve continuous improvement and improve effectiveness and efficiency	3	3	9	1. Performance Improvement Framework 2.Service Improvement plans 3.Argyll and Bute Manager programme 4. Customer needs analysis Protocols 5.Demographic and end user analysis 6.Workforce Planning 7.Internal and External Scrutiny Arrangements 8.Complaints process	3	2	6	Tolerate		SMT 30 April 2018	Executive Directors
7	**Health and Social Care Partnership** Failure to deliver strategic objectives and integrate Health and Social Care services in an efficient and effective manner exposes the Council, as a key partner, to unacceptable financial and reputational risk.	People live active, healthier and independent lives	Partnership viewed as having failed or not achieved strategic objectives Partnership Failure or weakness exposes Council to significant Financial liability Confidence in, and reputation of, the Council harmed	5	4	20	1. HSCP integration scheme approved by Scottish government 2. Strategic Plan in place 3. Performance and Financial reporting arrangements in place 4. Independent audit arrangements in place. 5. Integrated Joint board with elected member presentation 6.Chief Officer member of ABC Senior Management Team 7. Tripartite leadership agreement	5	3	15	Treat	1. Develop new 3 year strategic plan 2. Enhanced monitoring of HSCP financial position (March 2019) 3. Consider arrangements for voluntary severance 4. Review scheme of integration	SMT 30 April 2018	Chief Officer HSCP

8	**Civil Contingency & Business continuity** arrangements are not effective.	People live in safer and stronger communities	Ineffective management of major emergencies affecting Council services and communities in Argyll and Bute. Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal. Council unable to effectively deliver its own services	2	4	8	1. Emergency Planning Test events 2. Critical Activity Recovery Plans 3. Roll out of Community resilience partnership programme 4. Peer review of major exercises undertaken to provide external validation of planning process 5. West of Scotland local resilience partnership 6. Cross sector expertise and partnership working 7. Emergency Management Support Team (EMST) meetings 8. Training	2	3	6	Tolerate		SMT 30 April 2018	Head of Governance and Law
9	**Welfare Reform** Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis	People live active, healthier and independent lives	Financial crisis and hardship for individuals Increase in demand or costs for Council Services	5	4	20	1. Welfare reform group established. 2. Joint working with DWP, CPP and other agencies. 3. Money Skills Argyll	4	3	12	Treat	1. Review of money Skills Argyll delivery model (July 2018)	SMT 30 April 2018	Head of Customer and Support Services
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11						0				0				
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ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

LOCAL SCRUTINY PLAN 2018/19 – AUDIT SCOTLAND

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1.   INTRODUCTION

1.1   This report introduces the Local Scrutiny Plan (LSP) 2018/19 and is for members' information. The Local Scrutiny Plan sets out the planned scrutiny activity in Argyll and Bute Council during the financial year 2018/19 based on a shared risk assessment undertaken by a Local Area Network (LAN), comprising representatives of all scrutiny bodies who engage with the Council.

2.   RECOMMENDATIONS

2.1   The Audit and Scrutiny Committee is asked to endorse the content of the Local Scrutiny Plan 2018/19.

3.   DETAIL

3.1   The LSP, at paragraph 4, confirms that the Shared Risk Assessment (SRA) process carried out by the LAN has not identified any additional risk areas for the Council where specific scrutiny work is required. In practice, what this means, is that the Council will be subject to the routine level of scrutiny that these bodies would be carrying out to complete any nationally directed programmes or constitute part of their routine scrutiny programme, for example the annual external audit carried out by Audit Scotland and inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively.

Paragraphs 15-20 and Appendix 1 to the LSP sets out the expected scrutiny activity which will be carried out in 2018/19 by each of the scrutiny bodies however it should be noted that the scope of some of this work is still to be determined including which councils will be focused on.

3.2   Paragraphs 5 to 10 of the LSP highlights areas requiring oversight and monitoring with a position statement for the Council provided for each. In summary these are:

Financial sustainability- The report recognises the steps taken by the Council to manage financial challenges including the development of a long term financial strategy. Audit Scotland will continue to monitor the Council's approach to achieving financial sustainability through the annual audit process. It is also worth noting that Internal Audit will be performing a review of budget setting and arrangements for medium to long term financial planning as part of their 2018/19 plan.

Workforce planning – Audit Scotland will monitor the progress of workforce planning through the annual audit process including reviewing the Council's workforce plan once approved.

Housing & homelessness – No specific issues for the Council.

Education & children's services – The report recognises the Council's improvements in relation to educational outcomes and our approach to quality improvement. It highlights that more time is needed to continue progressing improvements and Education Scotland will monitor this through an extended general inspection programme in 2018/19.

Social care services – Council is considered an area of low risk with no specific issues highlighted.

3.3 Paragraph 14 of the LSP confirms that the Council will not be subject to a Best Value assessment during 2018/19 however it is worth noting that the Council continue to prepare for a future assessment with this work lead by the Head of Improvement and Human Resources.

4. CONCLUSION

4.1 The LSP has not identified any risk areas within the Council which require specific scrutiny in 2018/19 however the Council will be subject to planned scrutiny activity supported by routine audit and inspection activity.

5. IMPLICATIONS

5.1 Policy - None

5.2 Financial -None

5.3 Legal -None

5.4 HR - None

5.5 Equalities - None

5.6 Risk – The LSP and any findings may inform future year audit plan.

5.7 Customer Service - None

Kirsty Flanagan,
Head of Strategic Finance
19 June 2018

For further information contact:
Laurence Slavin, Chief Internal Auditor (01436 657694)

APPENDICES

Appendix 1 – Local Scrutiny Plan 2018/19

Argyll and Bute Council

Local Scrutiny Plan – April 2018 to March 2019

Introduction

1. This local scrutiny plan sets out any scrutiny risks identified by the local area network (LAN), proposed scrutiny responses and expected scrutiny activity for Argyll and Bute Council during the financial year 2018/19.

2. The scrutiny risks and responses are based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the council and the Integration Joint Board (IJB).

3. Expected scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2018/19, which is available on the Audit Scotland website.

Scrutiny risks

4. The 2018/19 shared risk assessment process has not identified any additional risk areas for Argyll and Bute Council where specific scrutiny is required, other than Education Scotland's follow-up of its 2017/ 2018 reports and scrutiny which is nationally directed or part of ongoing work programmes by scrutiny bodies. The following areas were identified by the LAN as requiring oversight and monitoring.

5. **Financial Sustainability:** Councils continue to face significant financial challenges with pressures on funding and increasing demand for services, with the resulting need to reconfigure service provision in a substantial and sustainable manner. Argyll and Bute Council has to date been successful in delivering savings to meet funding gaps but the mid-range scenario of the council's three year Budget Outlook from 2018/19 to 2020/21 estimates a budget gap of £4.1 million for 2019/20, rising to £10.4 million in 2020/21. This represents a financial sustainability risk for the council as the delivery of the identified budget savings may adversely affect the level and quality of service provision. The council has recognised this risk as part of its risk management process and we are pleased to note that it has developed a long-term financial strategy to address indicative funding gaps and savings targets for the years 2019/20 and beyond. Audit Scotland will review the council's new long-term financial strategy and consider the council's approach to achieving financial sustainability through the annual audit process.

6. **Workforce Planning:** The council is currently developing its strategic workforce plan which is expected to be finalised for approval by the full council in April 2018. Recruitment of staff with the necessary skills and experience continues to be an issue across the council area due to its challenging geography, and its declining and ageing population. Until the strategic workforce plan is finalised, the risk remains that the council may not have the required capacity and skills to deliver its services effectively in the future. Audit Scotland will monitor the progress of workforce planning through the annual audit process and review the approved workforce plan, once available, for comment in the 2017/18 annual audit report. No additional scrutiny is therefore included in this local scrutiny plan.

7. **Housing and Homelessness:** To assess the risk to social landlord services, the Scottish Housing Regulator (SHR) has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. SHR has assessed that no additional scrutiny is required in Argyll & Bute Council during 2018/19, beyond statutory and ongoing work.

8. **Education and Children's Services:** There is increasingly strong strategic leadership within Community Services in Argyll and Bute Council. The council has appropriate governance in place to ensure that educational provision is well organised and increasingly well led. Scrutiny outcomes, including inspections, have shown recent improvement with a number of positive reports. Outcomes for children and young people are improving against national averages and the Virtual Comparator. This continues to be a strong focus for the authority. The approach taken to quality improvement within education is robust but needs more time to achieve consistent and sustained outcomes.

9. Overall there is good progress against the agreed main areas for action and good capacity for improvement. More time is needed to continue to progress identified improvements as indicated in the report *Further Strategic Inspection of the Education Functions of Local Authorities–Argyll and Bute Council*, published on 7 December 2017. Therefore there will be additional planned scrutiny in 2018/19 beyond the general inspection programme. Argyll and Bute Council has one school participating in the Schools Programme of the Scottish Attainment Challenge. Schools in Argyll and Bute have Pupil Equity Funding plans in place and these are being progressed. Education Scotland will continue to liaise with establishments as appropriate.

10. **Social Care Services:** The Care Inspectorate considers Argyll and Bute an area of low risk in relation to scrutiny activity. The Care Inspectorate's link inspector meets with the council's senior social work managers on a regular basis (quarterly) and with the chief social work officer and the chief officer of the IJB bi annually. The two main areas of the Care Inspectorate's strategic scrutiny activity are the joint inspections of adult services and of children's services. Argyll and Bute has now had both of these inspections and no issues have

arisen from those two inspections which are likely to require further scrutiny activity during 2018/19.

11. Scottish ministers have asked the Care Inspectorate to lead a new programme of joint inspections of services for children and young people, commencing in 2018/19, and currently available details of that, including involvement at Argyll and Bute, are provided within Scrutiny activity below.

Scrutiny activity

12. Any expected scrutiny activity between April 2018 and March 2019 is shown in Appendix 1. For some of their scrutiny activity in 2018/19, scrutiny bodies are still to determine their work programmes and which specific council areas they will cover. Where Argyll and Bute Council is to be involved, the relevant scrutiny body will confirm this with the council and the LAN lead.

13. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. The outcomes of this work will help to inform future assessment of scrutiny risk.

14. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. Work on the BVAR for Argyll and Bute Council is not planned in the period covered by this scrutiny plan. The Best Value audit work planned this year will focus on the council's arrangements for demonstrating Best Value in partnership and collaborative working and in community responsiveness, and will be reported in the 2017/18 annual audit report.

15. Audit Scotland also plans to undertake performance audit work in a range of areas covering local government during 2018/19. Performance audits relevant to the council include, City Deals, Health and social care integration: progress update, and Children and young people's mental health services. Any engagement with individual councils is still to be determined . In addition, Audit Scotland will publish the findings from its performance audit of Arms Length External Organisations (ALEOs). Details of future audit work are available on the Audit Scotland website.

16. Education Scotland is planning to follow-up its 2017 and 2018 reports on the council's education services. In addition, as part of its continuing programme of inspections of Community Learning and Development (CLD) services across all council areas, Education Scotland wil be carrying out such an inspection in the Argyll and Bute Council area, with work initially scheduled for January – March 2019.

17. The SHR may carry out thematic inquiries during 2018/19, or it may carry out survey or on-site work to follow up on published thematic reports. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2018/19. Where councils are to be involved in a thematic inquiry, any follow up work to a published thematic inquiry, or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.

18. During 2018/19, the Care Inspectorate and Healthcare Improvement Scotland will carry out joint inspections at three Health and Social Care Partnerships to assess and report on effectiveness of integration authorities' strategic planning of services for adults. They will also carry out a thematic review of self-directed support (SDS) in up to six council areas across Scotland, to identify factors which support effective implementation of SDS and barriers which require to be overcome. They will provide feedback on each area and publish an overview report which will be disseminated more widely, with the expectation that all areas will then use these findings to evaluate their own practice and make improvements where necessary. No work is currently planned for 2018/19 in Argyll and Bute on either of these areas of scrutiny.

19. From April 2018, Scottish ministers have asked the Care Inspectorate to lead another programme of joint inspections of services for children and young people, with scrutiny partners Education Scotland, Healthcare Improvement Scotland and Her Majesty's Inspectorate of Constabulary in Scotland. They have asked partners to provide assurance about how community planning partnerships are protecting, and meet the needs of, children and young people who have experienced, or are at risk of, abuse and neglect, and how they are working together to improve outcomes for children and young people who are subject to corporate parenting requirements. It was agreed with ministers that, for the duration of this programme of inspections, the inspectorate will incorporate an area of specific enquiry each year, with the aim of identifying key lessons and best practice which all partnerships could use to support their own continuous improvement. An overview report will be published at the end of each year.

20. The Care Inspectorate intends to carry out five such joint inspections in 2018/19. Work is underway between Scottish Government, CELCIS and the Care Inspectorate to develop a shared data set to support risk assessment. In time this should support a proportionate approach to inspection, in terms of timing and scope. As this work is not yet complete, and as it will be important to test aspects of a revised inspection approach in year 1, sites have been selected for 2018/19 taking into account a variety of factors including the length of time since they were last inspected; findings from the last inspection and any subsequent progress reports; size, demography and geography; intelligence from scrutiny partners or from significant cases and the availability of self-evaluation which could be built on (to test a collaborative approach). Argyll and Bute Council area has been selected as the second

inspection within the programme, with work provisionally scheduled for end Quarter 2/beginning Quarter 3.

March 2018

Argyll and Bute Council

Appendix 1: Scrutiny activity

Scrutiny body	Scrutiny activity	Date
Audit Scotland (as external auditor)	Best Value audit work will focus on the council's arrangements for demonstrating Best Value in partnership and collaborative working and in community responsiveness. The local audit team will also gain an understanding of how effective the council's self-evaluation processes are in driving improvement across the council.	Ongoing as part of 2017/18 annual audit, and will be reported within the 2017/18 annual audit report.
Audit Scotland	Audit Scotland plans to undertake performance audit work on City Deals, Health and social care integration: progress update and Children and young people's mental health services. The findings from a performance audit of Arms Length External Organisations (ALEOs) will be published in Spring 2018.	Dates to be determined. Mental health services report expected September, 2018.
Care Inspectorate	Joint inspections with Education Scotland, Healthcare Improvement Scotland and Her Majesty's Inspectorate of Constabulary in Scotland, of services for children and young people.	End Q2/Beginning Q3 2018/19.
Education Scotland	Follow-up of the 2017 and 2018 reports on the council's education services. Community Learning and Development strategic level inspection.	Summer 2018 Jan – March 2019
Scottish Housing Regulator	The Scottish Housing Regulator (SHR) may carry out thematic inquiries during 2018/19 or it may carry out survey or on-site work to follow up on published thematic reports. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2018/19. Where councils are to be involved in a thematic inquiry, any follow-up work to a published thematic inquiry, or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.	Dates to be determined. Q2 2018/19.

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Councils' use of arm's-length organisations

**EMBARGOED UNTIL
00.01 HOURS
THURSDAY 17 MAY 2018**

ACCOUNTS COMMISSION

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

• securing and acting upon the external audit of Scotland's councils and various joint boards and committees

• assessing the performance of councils in relation to Best Value and community planning

• carrying out national performance audits to help councils improve their services

• requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Audit team

The core audit team consisted of:
Carol Calder, Peter Worsdale and Derek
Hoy, with support from other colleagues
and under the direction of Ronnie Nicol.

Links

PDF download

Web link

Key facts

Number of ALEOs
estimated in Scotland

130
ALEOs
turnover
£1.3bn

Number of
charitable
ALEOs. They
receive
an estimated
relief of
£45 million on
non-domestic
rates

65
ALEOs
turnover
£550m

4
councils

Four councils
have eight or
more ALEOs

3
councils
turnover
£186m

Number of councils
with social care
ALEOs. They employ
over 5,300 FTE staff

25
councils
turnover
£430m

Number of
councils with
leisure and/or
culture ALEOs
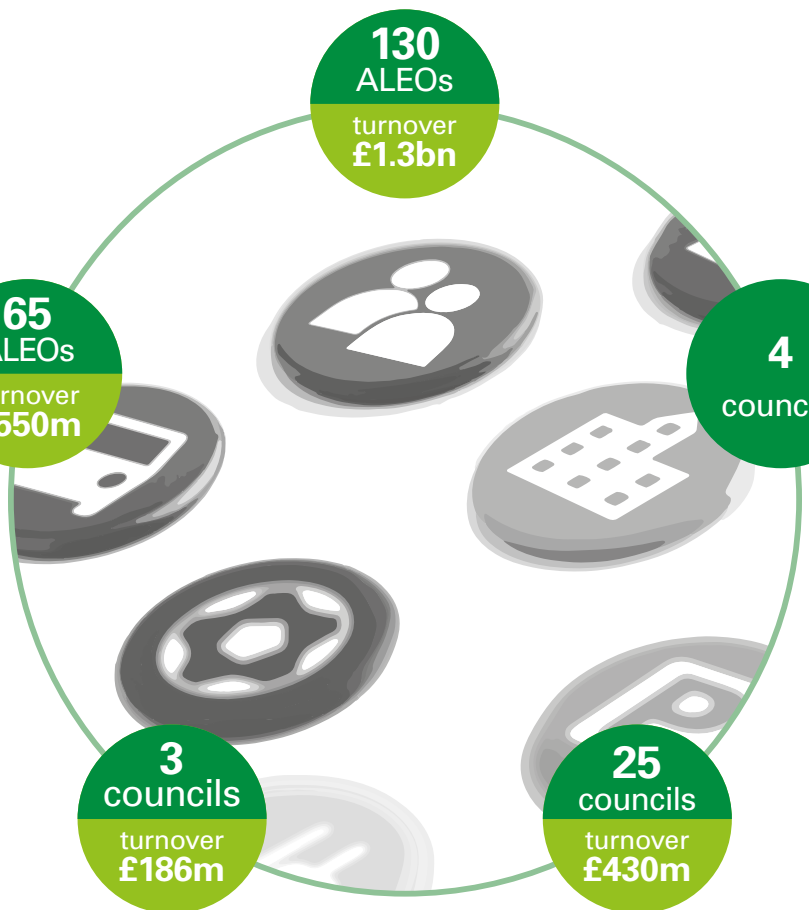
Summary

Key messages

1   Arm's-length external organisations (ALEOs) are separate organisations used by councils to deliver services. They can bring both financial and operational benefits.

2   Councils should consider the risks associated with ALEOs at the outset. Oversight, accountability and good management are essential. In managing ALEOs, councils should continue to apply the principles in the Following the Public Pound Code (FtPP).[1]

3   Councils have improved and strengthened their oversight of ALEOs. They need to set clearer criteria for how councillors and officers are involved with ALEOs, and demonstrate more clearly how ALEOs secure Best Value.

4   Councils show improving practice in evaluating ALEOs as an option for delivering services. They could do more to involve the public and other stakeholders in the process.

5   Taxation advantages for registered charities have been a strong driver for councils establishing ALEOs. Following a Scottish Government review, these benefits are now less certain and some councils are exploring other options.

6   ALEOs have brought benefits including reduced service costs, increased uptake in sports and leisure, and improved standards of care. Councils need to better demonstrate how their use of ALEOs improves outcomes for people (by outcomes we mean the local improvements councils and their partners seek to make such as people's health and wellbeing, and a better-quality environment).

7   The context in which ALEOs operate is changing and cost pressures remain. Councils must have clear reasons for establishing ALEOs and consider alternatives. In doing so they should be clear on the risks involved, and work closely with local communities and businesses.

ALEOs have brought benefits but need to be managed carefully

Recommendations

We have identified the following recommendations for councils:

In deciding whether an ALEO is the best way to provide services over the longer term, while providing value for money, councils should:

- examine wider options that can bring similar benefits to ALEOs such as reorganising an existing service, sharing services with other councils, or involving the local community

- demonstrate how ALEOs help the council meet its objectives and improve outcomes for their communities

- set clear criteria for reviewing an ALEO, considering risks, performance and how it fits with council priorities.

Councils should continue to apply the Following the Public Pound (FtPP) principles ensuring that they:

- oversee the performance, financial position, and associated risks of ALEOs

- have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest

- provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest

- have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs

- take an active role in managing their relationship with ALEOs, including their compliance to service level agreements, contracts and other obligations

- make information about ALEO funding and performance clear and publicly available.

Background

1. In local government, services can be delivered in a variety of ways. In Scotland the term arm's-length external organisation or ALEO, has come to be used where a separate body with its own legal identity is set up by a council to deliver services. Local government services are also delivered through community planning partnerships, integrated health and social care boards, valuation joint boards, and regional transport partnerships. Unlike these statutory arrangements, ALEOs can be created at the discretion of the council, within the boundaries set by local government legislation.

2. ALEO is a descriptive term for a delivery approach that can take many forms. It is not a legal definition. We describe an ALEO in Exhibit 1.

Exhibit 1
What is an ALEO?

Arm's-length external organisation

An arm's-length external organisation (ALEO) is a term used to describe an organisation that is formally separate from the council but is subject to its control or influence. The level of control or influence can vary.

ALEOs can take many forms including companies, community enterprises, charitable organisations and trusts. Services they deliver include leisure, transportation, property development, and care services.

The council might own the ALEO. It might have representatives on the ALEO board. It might be the main funder or shareholder of an ALEO.

ALEOs can be set up as non-profit-making organisations and as charities to promote public benefit in areas such as health, education, recreation and equal opportunities.

Source: Audit Scotland

3. ALEOs are an established feature of local government in Scotland. Their use grew throughout the 1990s in areas such as sports and leisure and urban regeneration, and they are now used by most councils to provide a range of activities. Arm's-length organisations are also long established in England and Wales and are used in areas such as buildings management, social care, housing and children's services. Depending upon their form and functions they may be referred to as arm's-length organisations (ALEOs); local authority trading companies (LATCs); and arm's-length management operations (ALMOs).

The Accounts Commission has a continuing interest in ALEOs
4. The Accounts Commission has a strong and continued interest in how councils use ALEOs. This performance audit builds on the good governance messages of our earlier work. It also examines further the reasons councils use ALEOs, and the extent to which they are improving services and meeting their intended objectives. We will continue to examine councils' use of ALEOs in our audit work in councils.

- In June 2011, the Accounts Commission published its *How councils work: Arm's-length external organisations (ALEOs): are you getting it right?*. This set out good practice and highlighted the risks and opportunities of using ALEOs (Exhibit 2, page 8). The report provided checklists and a self-assessment tool to highlight good practice for councillors and officers.

Exhibit 2
2011 How councils work ALEOs headline messages
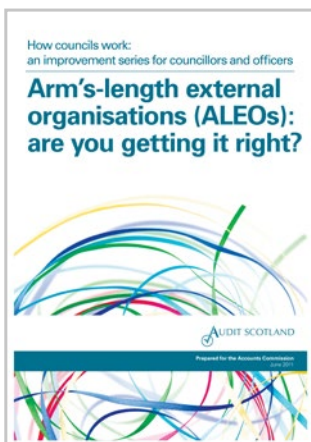
The Following the Public Pound principles provide the basis for sound governance

Decisions to use ALEOs should be based on an options appraisal and sound business case

Sound governance is needed from the outset

Conditions attached to the use of public funds should be clear

Clarity on roles and responsibilities is vital

Councillors and officers require ongoing advice and training

Source: Audit Scotland

- The How councils work (HCW) report built on the principles set out in the FtPP code. This sets out how councils should manage their relationships and be accountable for ALEOs and other external bodies they are involved with. It is based on the premise that, to ensure public money is used properly, it must be possible to 'follow the public pound' across organisational boundaries.

- In March 2015, the Accounts Commission carried out follow-up work on its HCW report. This identified some improvements in councils' governance of ALEOs, and found that the standard of practice varied. The Commission wrote to all council leaders and chief executives to emphasise the need for good governance, including monitoring and reviewing the performance, costs and risks of ALEOs.

About this report

5. We have examined practice across a sample of councils to highlight messages for all councils. The audit did not focus specifically on any individual council or ALEO. We also drew on findings from our audit activity across all councils. Our audit approach is set out in Appendix 1 (page 39), and our audit examined the following:

- Councils' reasons for using ALEOs.

- How councils oversee and govern ALEOs.

- What ALEOs have achieved.

6. This report has four parts:
- Part 1 (page 9) gives an overview of ALEOs and why councils use them.
- Part 2 (page 17) considers councils' oversight and governance of ALEOs.
- Part 3 (page 27) examines what ALEOs have achieved.
- Part 4 (page 35) considers the future direction of ALEOs.

Part 1
How councils use arm's-length external organisations

Key messages

1 ALEO is not a legal definition but is a term that applies to separate organisations used by councils to deliver services. ALEOs provide many different services and can take many forms. Most councils use them to varying degrees. Around half are registered charities.

2 Councils need to examine a wide range of options to deliver the best outcomes for their communities. ALEOs bring the benefits of a more independent organisation, while allowing councils to retain some control or influence.

3 Councils show improving practice in how they plan to use ALEOs including detailed business cases. However, few have an overall policy for how they should consider options. Councils could do more to involve public and other stakeholders in the process.

4 Taxation advantages of charitable ALEOs have been a strong driver for their use. These are now subject to change and councils are considering other options.

5 ALEOs bring further benefits through their ability to trade more widely and attract new funding. They also provide a responsive and more focused operating model under the direction of a dedicated board.

> tax benefits have been a driver for ALEOs but these may change

Most councils use ALEOs and their use continues to evolve

7. The range of ALEOs in Scotland is extremely diverse in size, function, and structure. Almost all Scottish councils use ALEOs to varying degrees. Larger urban councils are more likely to have a higher number of ALEOs. They are also more likely to have ALEOs that have been set up to achieve more commercial objectives, such as property development, conference facilities and marketing.

8. There are inconsistencies in how councils identify ALEOs and make information about them available. Indeed, there is little consensus even on what an ALEO is. This together with ongoing changes in their use, makes it difficult to quantify the number of ALEOs. Exhibit 3 (page 10) shows the use of ALEOs across councils and the functions they provide. This is based on information available to us from our 2015 follow-up work on ALEOs, councils' annual accounts, and ongoing changes we are aware of across councils, the most significant of which are summarised in Exhibit 4 (page 11).

Exhibit 3
ALEO use across Scottish councils

High
+ 8 or more

Medium
5 to 7

Low
1 to 4

None

Social care
Aberdeen City

Social care
Glasgow City

Social care
Scottish Borders
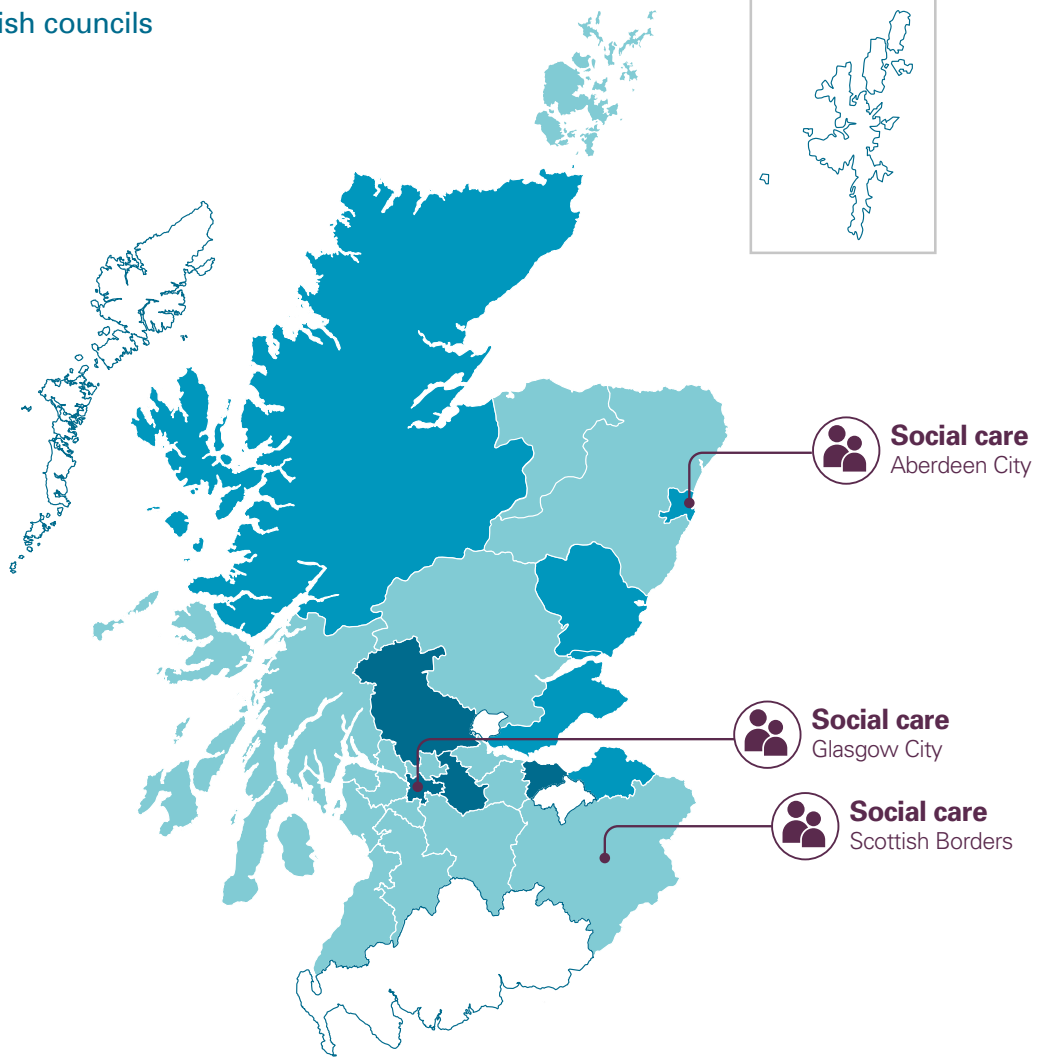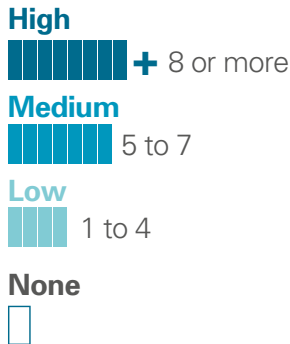
Approximate numbers of councils using ALEOs to deliver the following services:

80%	**65%**	**45%**	**35%**	**10%**
Around 25 councils	Around 20 councils	Around 15 councils	Around 10 councils	Three councils[2]
Sport and leisure[1]	**Cultural services**[1]	**Economic development and regeneration**	**Property**	**Social care services**
Includes leisure centres, swimming pools and sports development.	Includes museums, galleries, theatres and libraries.	Includes employability services, business support and physical regeneration.	Includes property development, management and maintenance.	Includes care homes, homecare services and day centres.

Other activities delivered through ALEOs include waste management, energy and community safety.

Notes:
1. Thirteen councils have joint leisure and culture ALEOs.
2. The three councils are Glasgow City, Aberdeen City and Scottish Borders.

Source: Audit Scotland

Exhibit 4
Recent changes with ALEOs

Recent and ongoing changes in the use of ALEOs

- The City of Edinburgh Council had consolidated its property development companies under one body – Edinburgh Development Initiative (EDI). It is now disbanding EDI to bring its property functions back into the council.

- Glasgow City Council has entered into a joint venture with the Wheatley Group to share ownership of its property maintenance ALEO, City Building.

- Glasgow City Council has wound up its city marketing ALEO and transferred its functions to its leisure and culture ALEO, Glasgow Life. It is bringing its social care and facilities management ALEO, Cordia, and its community safety ALEO back into the council.

- Some councils including Dundee and Scottish Borders have merged cultural and leisure services into a single ALEO.

- Some smaller ALEOs have been wound up, and their functions transferred to larger ALEOs, eg Dundee Ice Arena was transferred to Leisure and Culture Dundee.

- Some ALEOs are set up for a limited duration. For example, Steadfast Homes LLP is a partnership between Stirling Council and Scottish Futures Trust to provide mid-market rent properties, anticipated to operate for up to ten years.

Source: Audit Scotland

9. The diversity of financial arrangements across ALEOs makes it difficult to give a meaningful financial overview of them. In 2015, we estimated that spending through ALEOs was over £1.3 billion, with ALEOs accounting for around a quarter of the total spending for Glasgow City Council, their largest user.

ALEOs can be set up in many ways and take different legal forms
10. ALEOs are legally separate bodies from the council and can take different forms (Appendix 2, page 40) There are many possible variations within these, for example charities can operate trading subsidiaries such as a café in a museum or leisure centre.

11. Most ALEOs across our sample group of councils take the form of limited companies or limited liability partnerships and are wholly owned by the council. This means that the council is the ultimate decision-maker, with powers to wind up the ALEO or to determine board membership. It also sets the ALEO's objectives and powers. In the case of joint venture companies, third parties can also hold a stake in the ALEO, an example being property joint ventures with the council and private sector as partners.

12. We estimate that around half of ALEOs are registered charities. The majority of these provide leisure and cultural services, other examples include urban regeneration and tourism. ALEOs that have charitable status are regulated by the Office of the Scottish Charity Regulator (OSCR).[2] Charities must have a defined charitable purpose, for example in the areas of health, education, recreation or equal opportunities. Charities are non-profit making and are required to reinvest any surpluses to further their activities. The trustees of charitable ALEOs have duties over and above those of the directors of non-charitable ALEOs.

Councils' reasons for using ALEOs

13. We examined councils' reasons for using ALEOs, including the effectiveness of their use of options appraisal and business cases to reach decisions. The statutory duty of Best Value, within the Local Government in Scotland Act 2003 (LGiSA), requires councils to secure the best options for providing services to their communities. It requires them to demonstrate continuous improvement and deliver good-quality services at reasonable cost. The legislation aims to remove barriers to innovation, but put in place safeguards that make councils accountable for how they use public money.[3] The main options open to councils include:

- reorganising the way the council itself provides services

- 'outsourcing' or contracting services to private providers or the third sector such as voluntary groups and charities

- entering into partnerships with other councils or providers

- establishing 'arm's-length' bodies to deliver services

- any combination or hybrid of the above.

14. Implementing an ALEO or any other new delivery option is a complex and expensive process. It involves thoroughly appraising the options available and a sound business case. Councils must consider many detailed operational, legal, financial and commercial factors, and the risks involved. Set-up costs can be several hundred thousand pounds, and the time from the initial appraisal through to implementation can be more than a year. It follows that councils must proceed with caution when pursuing any new approach.

15. We found that councils have consistent reasons for using ALEOs. Generally, where councils provide services themselves they see direct control as an advantage. Contracting services to the private sector can save money, but reduces a council's control and influence. Councils see ALEOs as a good compromise between these two options. Though not without risk, the council can retain a degree of control or influence, and the ALEO can bring the benefits of a separate and more independent organisation. Business cases we examined identified these potential benefits of ALEOs:

- Taxation benefits of a charitable organisation including relief on non-domestic rates.

- Ability to generate income from additional services, and attract new income from funding, donations, sponsorship or loans.

- Strong service or commercial focus as a smaller more independent organisation under the direction of a dedicated board.

- Ability to involve public stakeholders in the management and direction of their services.

- Ability to foster a positive working relationship with an ALEO as a 'trusted partner'.

16. Councils saw the dedicated board of an ALEO as a strength. These can involve community and industry representatives and bring wider experience and new opportunities.

Business case assumptions may change over time

17. Many councils had established charitable ALEOs such as those for leisure and culture to benefit from relief on non-domestic rates (NDR). Some business cases we examined identified this as a way for councils to meet their savings targets without having to cut services. Business cases identify NDR relief as a specific benefit provided that the ALEO meets the requirements for charitable status. While NDR relief can bring benefits locally, it offers no net financial gain to the public sector.

18. The ALEO model is also seen to bring a more commercial focus to generate income and attract new funding. In the case of charities, their charitable status is also seen as a safeguard against an overly commercial approach. Another unique benefit of charities is their ability to attract specific funding and donations.

19. In 2017, the Barclay Review into non-domestic rates brought the availability of NDR relief into question (Exhibit 5). It estimated that overall, charitable council ALEOs save £45 million annually through relief on NDR. Had the recommendation been accepted by the Scottish Government, the impact on the viability of leisure and other charitable ALEOs would have been significant. As things now stand, the policy changes make charitable ALEOs a less attractive option for councils. We are aware of at least one council that is reconsidering its proposal to form a culture and leisure ALEO following this development.

Exhibit 5
The Barclay Review

The Barclay Review

was set up in 2017 to examine and recommend reforms to the business rates system in Scotland.

One of the Barclay Review recommendations was to end the rates relief offered to ALEOs as this was seen to be an unfair advantage in a competitive market. In its response to the review, the Scottish Government announced in November 2017 that rates relief will remain in place for qualifying facilities already operated by councils. However it indicated it would offset any further charity relief benefit for future ALEO expansion by councils, for example by limiting their grant funding.

Source: Audit Scotland

20. Councils can make a stronger business case where the benefits are clearly linked to improved outcomes for citizens and communities. That is, the choice is not based on a narrow financial advantage that may be subject to change.

21. The more recent business cases we examined do consider a wide range of financial and operational factors. Financial considerations, of NDR relief and the treatment of VAT were the most prominent features in the earlier business cases we looked at.

22. Business case assumptions may change and need to be reconsidered during the design and set-up of an ALEO. We found more effective practice where councils identified risks, and re-evaluated business case assumptions before taking a final decision.

Councils are improving how they plan for and appraise ALEOs

23. Our sample group of councils have significant experience in contracting, options appraisal and implementing change. The options appraisal and business cases we examined were comprehensive and detailed. Councils use external consultancy expertise in more complex legal and financial matters. They also draw on evidence from similar organisations that have been set up elsewhere. Exhibit 6 summarises good practice we identified and highlights areas where councils could improve.

Exhibit 6
Options appraisal and business case

Effective practice

- Clearly specifying service quality, financial, operational, accountability and other factors, on which to base decisions.
- Objective process to evaluate factors for example using scoring.
- Using external expertise for more technical, legal, financial, and other operational matters.
- Including all set-up and implementation costs in the appraisal.
- Using a third party expert to verify the process and assumptions.
- Revisiting assumptions throughout the process.
- Incorporating risk management from the outset through to implementation.

Where things can improve

- Setting clear corporate guidelines for how options are to be considered.
- Being clear why the council identified its chosen range of options, and which options it may have excluded.
- Involving the public and interested communities, such as local businesses.
- Assessing the impact on local interested communities.
- Including contingency planning at the outset.

Source: Audit Scotland

24. Councillors must provide strategic direction and understand the range of options the council is considering. Options appraisals should clearly set out the alternatives along with their respective benefits and risks. This is important as part of open and transparent decision-making and public scrutiny. We saw evidence of improving practice in this area. More recent options appraisals presented councillors with a good level of information across a range of options including contracting with private sector, or using community enterprises. However, we also found options appraisals that considered only a narrower set of options, and did not explain why options such as outsourcing had not been included.

25. Councils should also consider the risks of various options, and be clear what happens if an ALEO fails to meet its objectives. Such contingency planning should be considered at the outset. We found that while business cases tended to consider these factors in some detail, there was less evidence of contingency planning featuring at the initial options appraisal stages.

Few councils have guidelines for making service delivery choices
26. Most of our sample councils undertook options appraisals on a case-by-case basis. Few have guidelines in place to set out the council's overall approach, for example the trigger points for reviewing a service and the criteria to apply when looking at options.

27. The Highland Council has introduced its redesign review process to examine delivery options across all services. This aims to strengthen councillors' and officers' understanding of options, including ALEOs, as part of all service reviews. North Lanarkshire Council has introduced an ongoing review process to cover all its significant ALEOs over a three-year cycle. These reviews consider how the ALEO contributes to the council's priorities and offers value for money.

28. One council from our sample had expressed 'a presumption of in-house provision unless there are service performance issues' within one of its organisational change programmes. This contrasts with another council that had expressed the presumption of 'using third sector parties or ALEOs where services can be delivered safely, more cost effectively and efficiently.'

29. What is important is that councils can demonstrate that any policy position enables them to secure Best Value. This means making an objective assessment of cost, quality and other service benefits. Otherwise there is a risk the council will miss the best options to sustain or improve a service.

Councils could do more to involve communities in their choice of options
30. Councils could do more to involve local communities and businesses in their choice of options. Giving communities more say in their services is an area of growing national interest and the Community Empowerment (Scotland) Act 2015 brings new duties to public bodies. This is an area where councils are developing their practice.

31. We saw limited evidence of public opinion shaping options appraisals. The choice of option is treated mainly as a technical issue, but we would expect councils to show how they have considered the views of the public. This could include their expectations over service quality and the standard of facilities. Such dialogue can also make councils aware of options they may not have otherwise considered. of this report considers this topic further.

Some benefits may not be unique to the ALEO model itself

32. Some of the benefits associated with ALEOs may not be unique to the ALEO model itself. Councils should explore all options and understand the associated risks and alternatives. Ultimately, good management and staff commitment are key factors for success. Appendix 3 (page 41) outlines some of the benefits associated with ALEOs, along with alternative points to bear in mind. This provides a context for Part 3 (page 27) of this report which examines evidence of what ALEOs are achieving.

Part 2

How councils oversee ALEOs

Key messages

1 Oversight, accountability and good management are essential to deliver effective public services however councils choose to deliver them. Councils should continue to apply the principles in our Following the Public Pound Code (FtPP).

2 Councils have improved and strengthened their oversight of ALEOs. This includes clear roles, scrutiny that is proportionate to risk, and officers taking a stronger liaison role with ALEOs.

3 Councils should put in place more formal processes to demonstrate that their use of an ALEO provides Best Value. They should take steps to be more transparent about their use of ALEOs.

4 Councils need to set clearer criteria for councillor or officer involvement with ALEOs. These should consider the associated risks and how conflicts of interest should be dealt with. Alternative arrangements can be made to reduce the risks of conflicts of interest.

5 Where councils appoint representatives to ALEO boards, they should foremost consider the skills, background and experience required of the role. Training and development is important both from the perspective of the council and the ALEO.

> councils have strengthened their oversight of ALEOs, but they are not without risk

Councils must apply the Following the Public Pound Code

33. Councils are ultimately accountable for how they spend public money, including the services they commission through ALEOs. This means having clear oversight and appropriate governance arrangements in place. The Following the Public Pound Code sets out the principles for how councils should do this (Exhibit 7, page 18). The Code states that having council representatives on a board as trustees or directors does not in itself achieve effective governance. Regardless of any representation on boards, councils should monitor ALEOs and insist on regular reporting from them.

Exhibit 7
Following the Public Pound

Following the Public Pound principles and ALEOs

The principles of openness, integrity and accountability apply to councils in their decisions on spending public money. These apply equally to funds or other resources which are transferred to ALEOs.

The Code sets out six principles that require councils to:

- have a clear purpose in funding an ALEO
- set out a suitable financial regime
- monitor the ALEO's financial and service performance
- carefully consider representation on the ALEO board
- establish limits to involvement in the ALEO
- maintain audit access to support accountability.

Source: Following the Public Pound Code

34. An ALEO board needs to act independently to decide how it meets its objectives including its obligations to the council. For a registered charity this means acting in the interest of the charity and promoting charitable purpose. In practice the FtPP principles require a range of measures to be in place:

- Governance documents setting out the ALEO objectives and powers, along with contractual or service agreements between the ALEO and the council.

- Ongoing performance, financial and contract monitoring; and periodic review of the ALEO's business plans and objectives by the council.

- Assurance from internal audit over the council's governance and control processes for ALEOs. ALEOs may also have their own audit or finance subcommittees.

Councils have better oversight of ALEOs, but issues can still occur
35. Councils need to understand how well ALEOs are performing, and be aware of risks and difficulties that may arise. All our sample councils had appropriate governance processes for overseeing ALEOs. More effective practice included scrutiny proportionate to the risks involved, and clear roles and responsibilities for councillor and officer oversight

Exhibit 8
Improving practice in governance

Councils have developed governance frameworks to achieve a more proportionate level of scrutiny for ALEOs

Glasgow City Council's framework for councillor and officer oversight

Glasgow has a diverse portfolio of ALEOs. Its governance framework for ALEOs differentiates between democratic, strategic, and operational scrutiny as follows:

- Political decision-making and scrutiny: councillors oversee ALEOs through the Operational Performance and Delivery Scrutiny Committee and the Finance and Audit Scrutiny Committee.

- Strategic oversight and scrutiny: a Governance Management Group of senior officers meets with ALEO representatives on a six-monthly basis to review and discuss their financial and operational performance, business plans, and issues arising.

- There is regular liaison and monitoring between the council and ALEOs over operational issues: corporate teams within the council help to maintain the relationship between ALEOs and their client departments in the council.

Aberdeen City Council's ALEOs Assurance Hub

Aberdeen introduced a new ALEOs Assurance Hub in 2017. This draws on expertise from CIPFA and the Good Governance Institute. The Assurance Hub has a clear focus on risk management, financial management and governance.

- The council has split its ALEOs into tiers based on the level of funding they receive and the level of control the council has over them. The Hub assesses the level of oversight required for individual ALEOs and reports to the council's Audit Risk and Scrutiny Committee.

- Service directorates and committees are responsible for monitoring performance and contractual compliance.

- An ALEO Strategic Partnership Group provides advice and support to the council's ALEOs including strategic planning and resource sharing. The group comprises ALEO chief executives, and council finance, legal, and procurement officers.

North Lanarkshire Council's dedicated ALEOs committee

North Lanarkshire Council introduced a dedicated ALEOs and External Organisations Monitoring Committee in 2016. It meets in public and considers the financial management, performance, risks and governance of ALEOs.

- The frequency of ALEO monitoring reports to the committee is proportionate to risk and ranges from quarterly to annually. More detailed performance information is scrutinised by the relevant council service committee.

- Client officer roles are being reviewed, and a Monitoring Officer Working Group established to bring about consistency of approach across all areas of ALEO service delivery.

Source: Audit Scotland

36. Councils must oversee and manage many factors and be aware of the risks associated with ALEOs. Despite evidence of improving governance, we are aware of governance or operational issues that have arisen:

- Glasgow City Council's employability ALEO faced financial pressures in 2015/16 resulting from it having been required to repay European funding. As a result, it reduced its activities significantly and shed 150 posts through voluntary severance. The body has since restructured.

- East Lothian Council and the Lothians Racing Syndicate Ltd (LRS) jointly commissioned an independent governance review to evaluate the structure, composition and constitution of the Musselburgh Joint Racing Committee, and operational matters relating to the conduct of business at the racecourse. This identified options which are being considered by the council in consultation with the LRS.

- The creation of a subsidiary in 2011 by the council's ALEO, North Lanarkshire Leisure, had not been reported to a council committee. Also, the need for, and circumstances surrounding the setting up of, the company was not approved by, or reported to, the ALEO Board. There have since been a number of changes within the ALEO and North Lanarkshire Council has significantly strengthened its approach to the governance of ALEOs.

- In Stirling Council, a tender evaluation carried out in February 2017 following an options appraisal for the provision of sports and leisure services recommended the award of the contract to an external company. However, councillors decided that neither of the two bids submitted as part of the extensive tender process met the best value criteria and, as a result, the contract award was rejected. The council is now pursuing an alternative option involving reconstituting its existing sports and leisure ALEO.

Councils must have clear reasons for their appointments to ALEO boards

37. It is up to councils to decide on the most appropriate governance arrangements. They must consider very carefully the question of council representation on the ALEO board. The main consideration is what skills or experience are required of the board and who is best placed to meet these. Where councillors or officers take such positions, they should be clear about the responsibilities and requirements of the role.

38. There are risks of conflicts of interest where councillors or council officers take board positions. The Accounts Commission has highlighted that such conflicts can become starker if an ALEO encounters difficulties. The Companies Act and Charities and Trustee Investment (Scotland) Act require board members or trustees to act in the best interests of the company or trust on which they serve, and to put these interests first (Exhibit 9, page 21). But there may be times where this requirement may conflict with councillor or officer duties in the council. This can be a difficult balance where council representatives may be privy to certain information, but are prohibited from sharing or acting on it because of their role. As a small council with fewer councillors, Stirling Council told us that it can be much more difficult to manage potential conflicts.

Exhibit 9
Duties within companies and charities law

Companies Act
requirements for directors include:

- act within powers

- promote the success of the company

- exercise independent judgement

- exercise reasonable care, skill and diligence

- avoid conflicts of interest

- not accept benefits from third parties

- declare any interest in a proposed transaction or arrangement.

Charities and Trustee Investment (Scotland) Act
requirements for trustees include:

- act in a manner consistent with the charity's purpose

- act with the care and diligence expected of someone managing another person's affairs

- put the interest of the charity before those of any person or organisation who appoints trustees where there is a conflict of interest, or withdraw from the decision-making involved.

Source: The Companies Act (2006); Charities and Trustee Investment (Scotland) Act 2005

39. The Councillors' Code of Conduct sets out principles that councillors must follow where they take a role on outside bodies including ALEOs.[4] The Standards Commission's Advice Note for Councillors on ALEOs provides supplementary guidance to help clarify this area of the Code. This sets out the practice required of councillors who are also board members or trustees:[5]

- Councillors who are also ALEO board members can participate in council committees, but they must declare interests.

- The Code prohibits councillors from taking 'quasi-judicial' decisions in the council that may affect any ALEO they are involved with, for example planning or licensing decisions.

- It is considered good practice for councillors not to participate in scrutiny or funding decisions within the council that may affect the ALEO they are involved with.

40. There is an ongoing debate about the advantages and disadvantages of using councillors as board members. Councillors bring their experience as elected community representatives and their knowledge of the council and its services; however, there are potential conflicts of interest between their roles on the council and the ALEO. Exhibit 10 outlines some of the main advantages and disadvantages identified by our sample group of councils.

Exhibit 10
Pros and cons of councillors or officers acting as trustees or directors

Potential advantages of council nominees as board directors or trustees

- Can improve the relationship between the ALEO and the council.
- Can bring an insight into the council and its objectives and the broader community.
- Council representatives can gain valuable first-hand experience of service issues and different sectors.

Potential disadvantages of council nominees as board directors or trustees

- Can bring additional demands to their already diverse role.
- Representatives may lack the background, skills or understanding required of the role.
- Risk of conflict of interest between their role on the ALEO and their role on the council.
- Negative impact on council decision-making where councillors withdraw from committees owing to conflicts of interest.
- Exposure to legal risks and personal liability.
- Risk to continuity if councillors lose their position if not re-elected.

Source: Audit Scotland

41. We found a range of practice for councillors and officers taking trustee and director roles across our sample group:

- Across most of our sample councils, councillors and officers can take board positions on ALEOs. However, it is becoming less common to involve officers, and in Stirling and Edinburgh, for example, council officers no longer take director positions.

- Practice varied in social care ALEOs. Councillors and council officers are appointed as board directors in Glasgow's Cordia; this contrasts with the care ALEOs in Aberdeen City and Scottish Borders where councillors are not appointed as directors. In the Scottish Borders, councillors oversee the care ALEO through a dedicated Strategic Governance Group.

- OSCR recommends that the majority of trustees in a charitable ALEO should be independent of the council; we observed this to be the case across our sample group.

42. Officers and councillors holding director positions felt they could balance their dual roles, and saw this as very much part of their job. We are not aware of any significant breaches to the Councillors Code of Conduct regarding councillors' involvement with ALEOs. Our audit work in councils has emphasised the need for clear roles and responsibilities in relation to ALEOs to risk of conflicts of interest arising.

43. The City of Edinburgh Council highlighted a previous situation where an officer had been in a difficult position concerning the sale of assets from an ALEO back to the council. As an ALEO director, his aim was to achieve the best price for the company; but as the council's chief financial officer he had a duty to achieve value for money for the council. Council officer posts are no longer nominated as directors of that company.

44. We found that few councils have policies or guidelines setting out how councillors or officers should be involved with ALEOs. Stirling Council has guidelines that aim to focus councillors on their strategic role of providing direction, oversight and challenge over ALEOs. The policy restricts councillors from participating as directors on more commercial ALEOs, but allows them to be involved if the ALEO has a clear community benefit purpose that is in line with the council's objectives. Case study 1 illustrates how the council applied these guidelines in the case of a joint venture company.

Case study 1
Board representation on a joint venture (JV)

The council recognised that the board of a property development JV had an imbalance of expertise: it comprised councillors and a council officer, and property professionals from the council's private sector partner. In a governance review, the council replaced the councillors and officer with independent experts with knowledge of the commercial property market. This was to reduce the risk of conflicts of interest and to improve the knowledge and experience of the board for the benefit of both the council and its JV partner.

Source: Audit Scotland

Councils should consider other approaches to limit conflicts of interest

45. Some councils have chosen not to use council representatives as board members because of the risk of conflicts of interests. Having council nominees on boards was seen to blur the relationship between the council and the ALEO. It also brings personal liabilities to those taking such roles. Councils can achieve a much clearer separation by using secondments to ALEOs.

46. Councils need to put safeguards in place where they decide to involve a council representative in a decision-making position on an ALEO. These include procedures for dealing with conflicts of interest, making training and advice available, and personal liability insurance to protect board members in their role. Employment contracts can also be used to specify an officer's responsibilities if a conflict of interest arises, however we did not hear of this being used in practice.

47. Council representatives can take a monitoring and liaison role as an alternative to taking a board position. This allows them to oversee and advise the ALEO without taking a decision-making role on the ALEO. Most of our sample group of councils had strengthened the role of such officers to give them greater seniority and influence. Their role involves managing the relationship between the council and the ALEO, and monitoring the performance of the ALEO and its compliance with its contracts or service agreements with the council. Fife Council explained how the expertise and close involvement of its officers helps it to understand local opportunities and encourage the ALEO to improve its performance.

Council appointments to ALEOs should be driven by the requirements of the role

48. We found that councillor appointments to ALEO boards tended to reflect the political balance of the council. This differs from the approach taken by ALEOs for their other board members. These appointments tend to be made through an appointments committee based on the skills, experience and other criteria required of the role. Councils should ensure that they consider the skills or background required of the role. More effective practice in this area included The City of Edinburgh Council where officers provide political groups with guidance on making appointments.

Councils and ALEOs should provide training and support to board members

49. It is important that board members have the necessary training to perform their role effectively and understand what is required of them. Councillors we spoke to recognise that training is important from both the perspective of the council and the ALEO. All the councils we spoke to provide training, for example as part of the induction for new councillors, and more bespoke training in relation to their roles on ALEOs. In Glasgow, training is mandatory for elected members appointed to ALEO boards. OSCR provides guidance on the role of charity trustees.[6]

50. We saw good examples of training for board members, reflecting the growing maturity of councils' experience in this area. Our HCW report on roles and working relationships highlights both training and appropriate behaviours as essential to good governance.[7] It urges councils to provide councillors with training in the essential areas of scrutiny, audit, and financial decision-making. Indeed, some councillors we spoke to felt that in the case of ALEOs, training should also cover company accounts. More effective practice is described in Exhibit 11 (page 25).

Councils need to provide a systematic test of Best Value

51. It is possible under certain conditions for councils to procure services directly from a third party such as an ALEO without a competitive public procurement exercise.[8] Generally, this requires the relationship between the council and the ALEO to be the same as that between the council and one of its own directorates. The ALEO must also provide most of its core activities on behalf of the council. Councils must also continue to observe procurement and competition law as part of any changes in their relationship with ALEOs, be it through contract renewal, or changes or diversification in the ALEO's activities.

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Exhibit 11
Training and development for ALEOs

Provided by the council

- The council specifies advice and any necessary training for all councillors and officers who are decision-makers, advisers or observers of an external body.

- Training explores conflict scenarios, companies and charities law, and the Councillors' Code of Conduct.

- Training involves external expertise.

- All councillors are trained in essential aspects of their role in relation to scrutiny, audit and finance.

Provided by the ALEO

- Induction workshops for all board members.

- Directors' manual setting out the ALEO's aims, and the activities, responsibilities and duties of directors or trustees.

- Development programme for board directors including corporate governance standards.

- Appraising board members, and publishing their attendance record.

- Specialist training in companies and charities law.

Source: Audit Scotland

52. Councils should be able to demonstrate that their contracts or service agreements with an ALEO offer Best Value. Councils tend to do this by assessing the annual performance of the ALEO, along with its annual report and business plan. There is scope for some councils to put stronger arrangements in place for the interim review of contract performance. For example, one council we spoke to had introduced clearer performance objectives and formal review points in its contract with a joint venture ALEO. In another example, a council had revised its service agreement with a leisure trust to set out its social benefit objectives more clearly.

Councils should take steps to make ALEOs more accountable

53. Services provided directly by councils are often seen as more accountable than services contracted with external providers such as ALEOs. Councillors direct and oversee council-provided services through council committees. Where services are delivered by ALEOs this relationship becomes less direct. The council will oversee the contract or service agreement with the ALEO, but will have less day-to-day influence over the service.

54. ALEOs bring a different kind of accountability. They are, foremost, accountable to their own boards. These can include wider stakeholders including business leaders, community and service users, and employee and trade union representatives. This can allow for a more 'user-driven' form of governance, as opposed to the more representative role that councillors take on a council committee.

55. Some councillors we spoke to felt that the council relationship with ALEOs was different from relationships with a fully outsourced service. As trusted partners they felt they could contact ALEO managers for information, and call ALEO management to committee to present evidence.

56. Making information publicly available is another important aspect of accountability. Measures we identified that can improve transparency include the following:

- ALEO websites making annual reports, board minutes, and governance documents publicly available.

- ALEOs proactively publishing as much information as possible, for example covering the categories of information identified in the Model Publication Scheme.[9]

- ALEOs acting in accordance with the Freedom of Information Act that applies to councils, by responding promptly to information requests, providing information where possible and explaining why information cannot be provided.

- ALEOs adopting customer feedback and complaints-handling standards such as the Scottish Public Services Ombudsman (SPSO) guidelines.

57. Most of the leisure ALEOs across our sample group gave useful service and pricing information. However, not all included performance or user satisfaction information or minutes of board meetings. This is an area that councils should improve and specify in their service agreements with ALEOs. We found that:

- all the ALEOs included information on pricing and concessions

- all included information on Freedom of Information

- most had clear information on how to make complaints or suggestions

- only around half made board minutes available

- only around half made annual and performance reports available.

58. A council's annual accounts are a further source of public information. The governance and financial relationship between a council and its ALEOs can be complex. The Code of Practice on Local Authority Accounting encourages councils to 'tell the story' of their activities and financial performance during the year. This should cover not only the council itself, but also other third parties it is involved with, including ALEOs where they are significant to a council in terms of their risks or their financial implications.

59. The extent to which councils provided a clear commentary on their use of ALEOs varied significantly, with some councils providing only limited information. More effective practice is for councils to give a fuller overview of the ALEOs they are involved with. This could include their purpose, the extent of council ownership if any, and the financial contribution to and from the council. Most of the accounts we reviewed did not provide this level of detail. Glasgow and Fife councils had more effective practice and provided a clearer breakdown of their interests with useful supporting commentary.

Part 3

What ALEOs are achieving

Key messages

1   ALEOs are diverse in their range and the services they offer. Councils have used ALEOs to sustain existing services and offer additional services through reducing costs and generating income. However, financial and market pressures remain that can impact on their performance.

2   ALEOs have reduced the costs of sports and leisure services to councils through taxation benefits, new funding, and increased participation. Social care ALEOs have improved their care standards and reduced the costs of these services to councils. Financial pressures remain and not all social care ALEOs are achieving their financial targets. Performance in other areas such as property development has been more mixed.

3   We found many good examples of ALEOs providing innovation and benefit to communities. Councils need to better demonstrate how their use of ALEOs contributes to the council's priorities and improves outcomes for people.

ALEOs have brought benefits but cost pressures remain

60. The diversity of services provided by ALEOs and their individual circumstances makes it almost impossible to draw clear patterns of performance that apply in all cases. We have examined how ALEOs have contributed to improving services across a sample of ALEO services. This includes sports and leisure services where most councils use ALEOs; and social care, a service that vulnerable people and their families rely on. Our sample also includes examples from more commercial ALEOs.

61. We have based our assessment on the following sources of information:

- The Local Government Benchmarking Framework (LGBF) performance information for leisure services that applies across all Scottish councils. We have extracted data specifically for councils that operate sports and leisure ALEOs.

- Financial returns made by ALEOs to OSCR to identify broad sources of income.

- Care Inspectorate assessments to identify the quality of care for care homes, day centres and homecare services in relation to the three social care ALEOs.

- ALEO performance information and examples from across our sample councils. These include areas of service quality, efficiencies and financial performance.

Sports and leisure ALEOs have increased uptake and reduced costs

62. In Scotland over three-quarters of councils provide sports and leisure services through an ALEO. Sports and leisure services aim to encourage sports development, physical activity and wellbeing. These are provided through facilities including sports centres, swimming pools, and outdoor sports facilities. We estimate the total turnover of leisure and culture trusts to be approximately £430 million in 2016/17. Glasgow Life is a joint leisure and culture ALEO and operates on a significantly larger scale than other ALEOS in the sector, with total turnover of around £127 million.

63. Exhibit 12 shows LGBF indicators for how the 25 ALEOs that provide sports and leisure services across Scotland have performed. This shows that from 2010/11 to 2016/17 the cost per visit to leisure facilities has fallen, while service uptake has increased. Public perceptions of the service show a slight decline:

- Net costs per visit have decreased from £3.41 to £2.91.

- Visits (per year) to sports facilities increased from 39.8 million to 47.9 million, although uptake has declined in recent years in some council areas.

- Satisfaction with sports facilities fell from around 82 per cent to 79 per cent.[10]

Exhibit 12
The performance of sports and leisure ALEOs
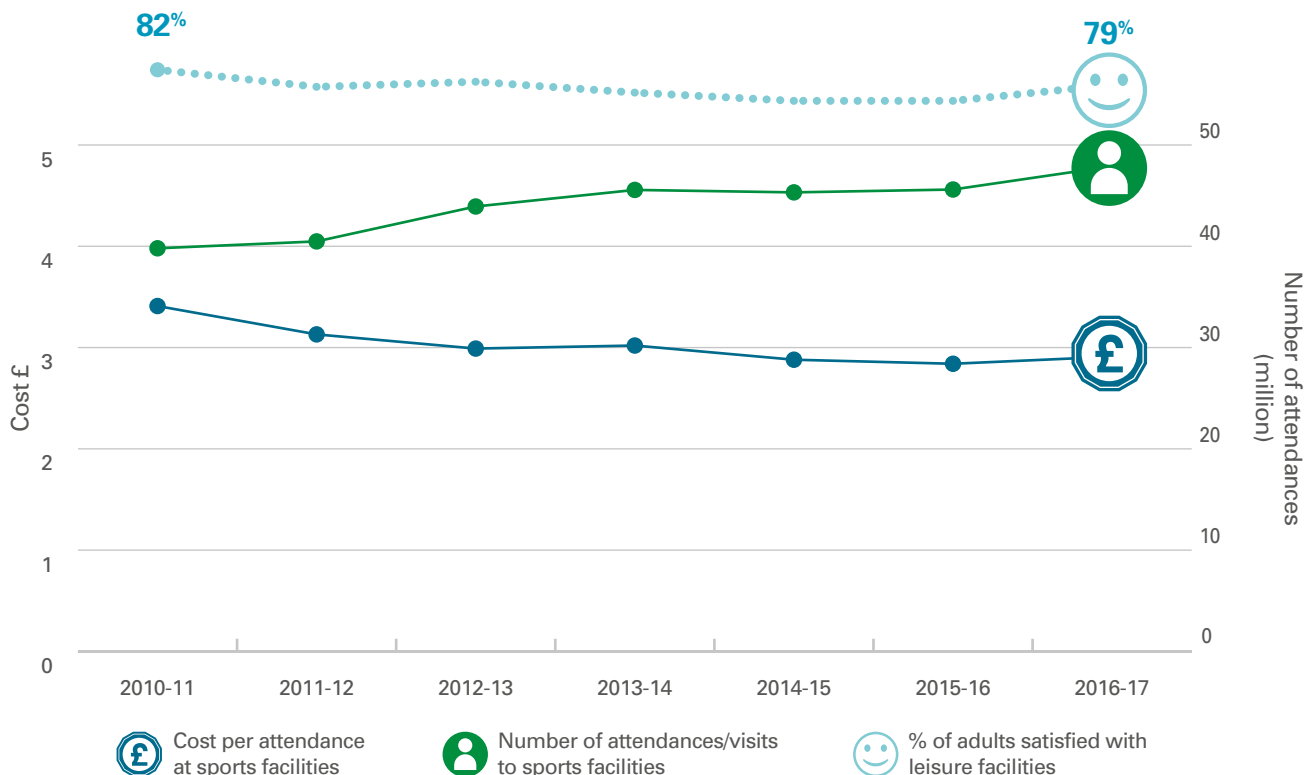
Source: Local Government Benchmarking Framework 2016/17

64. This equates to a reduction in net costs of around 15 per cent, and an increase in service uptake by 20 per cent. The trend in these broad indicators was less marked for the seven councils that directly provide sports and leisure services without using ALEOs. Here there has been a reduction in costs of nine per cent, and an increase in uptake of ten per cent; user satisfaction is lower at 66 per cent and has declined by two per cent. These councils tend to be smaller or more rural councils.

Financial benefits have been a major reason for establishing leisure ALEOs

65. Financial benefits have been a major reason for setting up charitable leisure ALEOs. This includes both taxation through NDR relief and VAT, and additional income through service uptake and new funding. We estimate that leisure and culture ALEOs generate around £61 million annually through donations, grants, fund-raising, investments, and other commercial activity.[11] This is equivalent to around 14 per cent of their overall income. Below are some examples of how ALEOs have reduced the costs of providing leisure services to councils include:

- The Glasgow City Council's service fee for Glasgow Life at £73 million is equivalent to around 57 per cent of the ALEO income in 2016/17, compared to around 71 per cent of income in 2008 (£69 million service fee).

- Leisure and Culture Dundee has made a cumulative saving of £15 million (2011 to 2017) allowing it to remove a £3.5 million funding gap and invest £1.2 million. Income generated by the ALEO now exceeds the funding paid by the council.

- High Life Highland has realised a saving of £9.1 million in its first five years of operation; with rates and VAT savings making up around 56 per cent of the savings, and the remainder being achieved through income and efficiencies.

- From 2008–16, Fife Council saw a 50 per cent reduction in costs, and a 50 per cent increase in service uptake for sports and leisure. The annual costs to the council fell by over £3 million, from 60 per cent of turnover to only 20 per cent.

66. Fife Council's capital investment programme has contributed to its improved performance. The council works in partnership with Fife Sports and Leisure Trust to plan and project manage this programme. This has led to £18 million of investment being targeted across sports centres and swimming pools, including easy-access changing rooms. The programme aims to ensure the investment continues to deliver financial benefits by increasing revenue as well as benefiting communities.

Councils need to improve how they measure the outcomes achieved by ALEOs

67. Measuring the impact services have on improving health, wellbeing and other outcomes is an area where the public sector is still developing its practice. It is difficult to identify the contribution of ALEOs to wider outcomes. We have therefore limited our assessment in this area to more qualitative examples of how ALEOs contribute to their social or community benefit aims.

68. As charities, ALEOs have a charitable purpose in areas such as participation in sport, health and wellbeing and encouraging volunteering. Most of our sample group of leisure or culture ALEOs were also involved in their local community planning partnership, either through subgroups or as an additional or non-statutory partner. High Life Highland (HLH) has participated as a member of the Highland Community Planning Partnership since 2015, helping to find new opportunities, for example through partnership working with the NHS. We found many good examples of ALEO initiatives to meet their wider social or community benefit aims:

- Edinburgh Leisure worked alongside a GP practice in Leith to set up referrals to a physical activity programme run by the local swimming pool, targeted at men over 50 at risk of heart disease, stroke and diabetes.

- Linking leisure and wellbeing: High Life Highland working in partnership with NHS provides physiotherapy and rehabilitation services from community leisure facilities. HLH has encouraged participation of teenage girls in exercise through its dance programme, training 300 students to lead weekly sessions involving almost 2,600 participants.

- Fife Sports and Leisure Trust introduced summer free swimming and 'Quid a Kid', an initiative which enables juniors to play racket sports for just £1.

- Leisure and Culture Dundee secured private sector sponsorship for their Park Lives outdoor activities initiative.

69. Like councils and other providers, ALEOs operate concessionary schemes. These include low-cost leisure access schemes and activities for groups such as children or older people. Some councils saw ALEOs as helping to sustain services, such as affordable swimming for school-age children, that may otherwise not be provided.

70. The ALEO model has brought benefits but challenges remain. Financial constraints are impacting on the ability of councils to fund ALEOs. In the culture sector, for example, reduced council funding has led to library closures in some communities. One leisure ALEO from our sample group was also consulting the public over the impact of reduced funding from the council. Other councils indicated that they may need to limit their funding to areas of most need. Factors we have noted that can impact on ALEOs include:

- uncertainty over future taxation and NDR benefits

- impact of reduced funding from councils on the ability of ALEOs to generate income

- need for investment in leisure facilities and their ongoing maintaining costs

- increasing competition for what are limited charitable funding opportunities.

Social care ALEOs have improved standards of care; cost pressures remain

71. The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform. This aims to bring health and social care services closer together, with Integration Joint Boards (IJBs) being introduced to plan and commission services in their areas. Our audit focused on the contribution of the ALEO model itself to social care services. We did not look at the wider partnership context of IJBs. Our performance audit, *Health and social care integration: Part 2*[12] will examine progress in this major reform programme including strategic planning and governance.

72. Three councils now deliver adult social care services through an ALEO. Services include older people's care, rehabilitation, and enablement to help people regain abilities they may have lost through poor health or disability:

- Glasgow: Cordia LLP, established 2008, about 4,000 full-time equivalent (FTE) staff.

- Aberdeen: Bon Accord Care Ltd, (BAC), established 2013, about 800 FTE staff.

- Scottish Borders: SB Cares LLP, (SBC), established 2015, about 500 FTE staff.

73. Cordia combines facilities management and catering services, along with Cordia Cares, its social care arm. Glasgow City Council has decided to bring the activities provided through Cordia back into the council. Aberdeen City and Scottish Borders councils both operate similar models for their social care ALEOs. These aim to sustain the level and quality of care services service through:

- achieving greater efficiency and flexibility through a more commercial management approach under a specialist board

- generating income through providing additional services.

74. The business cases for social care ALEOs identified potential new sources of income including providing care services as part of self-directed support (SDS), offering accredited training, and supplying aids and equipment. SDS allows clients more choice over their care services and providers, including the option to manage their own care budget.

75. The councils' contracts with social care ALEOs allow for a financial contribution from the ALEO, with the ALEO setting out to achieve this through efficiencies and income generation. BAC and SBC are performing inline with their anticipated budgets. Cordia has not realised its planned contribution in recent years. This is mainly because savings from the council's transformation programme have taken longer to deliver than anticipated.

76. The social care ALEOs have increased income by offering additional services, but this is a small proportion of their total income. Social care ALEOs have not yet realised the anticipated levels of additional income from SDS.

77. The social care ALEOs have upheld and improved the quality of the services they provide. Exhibit 13 gives an overview of Care Inspectorate (CI) grading assessments for services delivered by social care ALEOs in areas including care at home, residential care and day centres.[13] The table summarises overall movements in the proportions of these gradings rated as good or better over the three-year period from 2014/15 to 2016/17. There has been an improving trend across the three social care ALEOs. Within this, the improvement in care at home, and care home services, is consistent with, or better than, the trend across Scotland.

Exhibit 13

Percentage of ALEO services graded as good or better across all four inspection themes.[1]
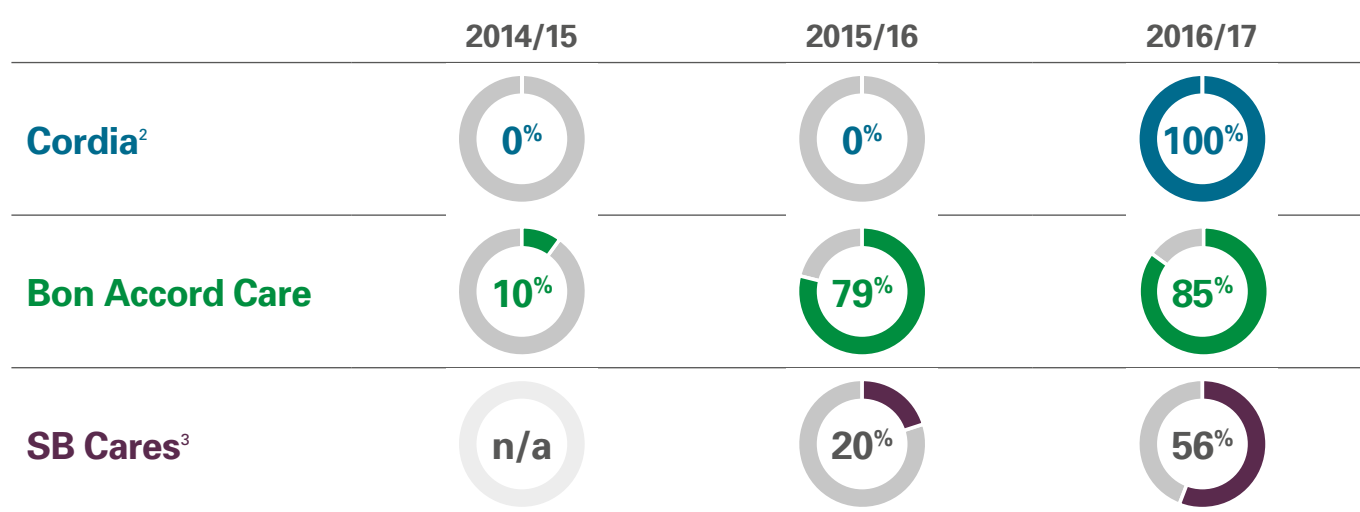
	2014/15	2015/16	2016/17
Cordia[2]	0%	0%	100%
Bon Accord Care	10%	79%	85%
SB Cares[3]	n/a	20%	56%

Notes:

1. The CI grades registered services on four themes: Care and Support; Environment; Staffing; Management and Leadership.

2. Cordia has multiple services grouped into three area-based inspections.

3. SB Cares had no registered services until 2015/16.

Source: Care Inspectorate Datastore

78. The Scottish Health and Care Experience Survey measures user satisfaction for the parent council for the percentage of adults who:

- receive any care or support who rate it as excellent or good.

- are supported at home who agree that their services and support had an impact in improving or maintaining their quality of life.

79. The data is currently only available over two years (2014/15 and 2015/16). It shows that satisfaction levels at around 80 per cent are broadly comparable between councils that use care ALEOs and other councils.

80. We also found examples of innovative and responsive working practices across the social care ALEOs:

- Cordia worked in partnership with Glasgow City Council's education service to develop a new food policy for Glasgow schools encouraging pupils to avoid local fast food outlets.

- BAC's enablement service has trained 187 care staff to encourage greater independence among older people and reduced demand for planned care.

- SB Cares and BAC each stepped in at short notice to take on clients from independent care providers that had failed to deliver the services required of them by the partnership.

- BAC reduced its agency staff hours by 35 per cent in 2015/16 by operating an internal staff pool arrangement to allow its staff to provide cover at short notice.

81. Councils we spoke to said they see a role for social care ALEOs to help regulate a market where low profit margins can impact on the service and its staff. They saw a role for ALEOs to stimulate the market to help meet future demands. By offering accredited training ALEOs were also seen to help uphold service quality and develop employees.

82. The ALEO operating model aims to use the workforce more flexibly to develop the services they offer. This can lead to employee terms and conditions being negotiated that differ from those of the council. We found that ALEOs do put assurances in place, for example over payment of the living wage, adopting council terms and conditions and allowing employees to access local government pension schemes.

83. It is important, however, that councils continue to oversee staffing issues, including how ALEOs comply with equal opportunities and good employment practice. They should also understand how future funding pressures may impact on the workforce. Even where services are provided through an ALEO, the council can be ultimately accountable for the treatment of staff. For example, it was ruled by a Scottish court that the employees of Cordia could compare their pay packages with employees of Glasgow City Council for the purposes of equal pay claims.

84. Healthcare Improvement Scotland (HIS) and The Care Inspectorate (CI) carry out joint inspections across Scottish local authorities of older people's health and social care services. Some recent reports have highlighted concerns over service quality, leadership and governance as some health and social care partnerships adapt to the ongoing changes in how health and social care is provided.

85. The role of social care ALEOs in the context of integrated care services is continuing to evolve. Health and social care partnerships, along with their service providers, must continue to adapt and innovate. And, as we said in our report on social work services, financial and demand pressures remain a major issue.[14]

Other more commercial ALEO activities

86. It is difficult to comment generally on the effectiveness of the diverse range of commercial activities that ALEOs provide. We have seen both successes and areas that have not met their objectives across our sample.

87. Councils have used more commercial arrangements, including ALEOs and joint ventures for property development and buildings maintenance activities. The downturn in the commercial property market around 2012 has reduced opportunities for property development activity. Councils across our sample group have responded to these market pressures in different ways.

88. Stirling Council is reviewing its current joint venture ALEO to bring some development sites back within the council's control and align them more closely with its City Regions Deal programme. The ALEO will focus on other more commercial development opportunities. The City of Edinburgh Council has decided to wind up Edinburgh Development Initiative, its property development ALEO, and bring its activities in-house to be closer to the council's planning and development functions.

89. Examples of the activities and contribution from what is a diverse range of other commercial ALEOs are set out below. These include both financial benefits and contributions towards council and partner priorities:

- Glasgow City Building took on 70 new apprentices in 2016/17 and employs 324 apprentices in total with over 90 per cent completing their apprenticeship. Almost three-quarters of their expenditure goes to Glasgow-based small to medium enterprises. Around 100 school pupils benefited from work experience opportunities.

- Energy and waste ALEOs in Aberdeen and Fife have reduced fuel poverty for council housing residents, with Fife Resource Solutions ALEO generating renewable power equivalent to the demands of 1,250 households.

90. Business planning is an important feature of ALEOs for them to meet their objectives and contractual obligations. ALEOs need to be commercially viable in the longer term. As an example of longer-term planning, Fife Council and its waste ALEO are working together to deliver a long-term residual waste treatment solution for post-2020. This is a critical project for both parties since landfilling municipal solid waste will be prohibited from 1 January 2021.

Part 4

The future direction of ALEOs

Key messages

1 Councils value ALEOs as an option to help them to sustain services and innovate. Their use of ALEOs continues to change and evolve: ALEOs are being merged, disbanded, or created in new areas such as affordable energy. There is only limited use of ALEOs to deliver shared services between councils.

2 Some councils are exploring alternatives to ALEOs following the Scottish Government's announcement that it would limit non-domestic rates relief for any new council charitable ALEOs. In doing so, councils should work closely with local communities and businesses.

3 Councils need to ensure ALEOs are sustainable in the longer term. At a time of financial constraints, market uncertainty and policy reform it is even more important that councils have clear reasons for establishing new ALEOs. They should continue to review how existing ALEOs are performing and how they fit with council and communities' priorities.

councils must keep ALEOs under review and consider alternatives

ALEOs remain an important option for councils

91. Councils see arm's-length bodies as an important option that gives them room to manoeuvre in what are challenging times for local government. ALEOs can help to sustain services and bring innovation, but financial and demand pressures remain.

92. However, ALEOs are falling out of favour with some councils. Glasgow City Council has decided to bring both Cordia and its community safety ALEO back in-house. This has resulted from the council's ongoing transformation programme across all activities, and its response to wider legislative changes in community planning, community empowerment, and the integration of health and social care.

Councils are exploring new ways to realise the benefits of ALEOs
93. Any decision to continue or discontinue with an ALEO must be objective and consistent with the requirements of Best Value. It should focus on outcomes not the method of delivering the service. We have emphasised that good management is a key factor for success, whatever way services are delivered.

94. The context within which any ALEO operates can and will change with time. The Barclay Review of non-domestic rates is already changing how councils think about different options. Aberdeenshire Council has found that its grant funding

would be reduced to offset NDR relief awarded, and so its proposal to create a culture and leisure ALEO is no longer viable. It is now looking at other ways to realise some of the benefits of the ALEO model to bring:

- closer involvement from businesses and communities

- innovation and faster decision-making to realise commercial or service opportunities

- expertise in service-specific areas such as marketing.

95. Possible alternatives include enhancing existing council services by creating a separate business unit, or alternatively using a different form of social enterprise to generate and reinvest income.

96. This example highlights that councils need to continue to work closely with businesses and local communities as they develop options. Community Empowerment (Scotland) Act 2015 brings a much stronger impetus for communities to play a stronger part in delivering services. Indeed, councils' experience with ALEOs brings lessons that could be applied to organisations that are more closely linked to communities, for example to:

- include community, business and service user representatives on boards

- protect assets by keeping them within public ownership

- allow limited liability protection for representatives taking director roles.

97. We found that some more recent options appraisals have considered community enterprises. We also saw examples where councils are involving communities more closely. Fife Council purchased a disused military site and leased it at nominal cost to a community organisation for use as a football venue. The arrangement enables community activity to take place and is self-sufficient with no revenue cost to the council. The council has also used planning contributions paid by developers to build a community sports hub. In another example, High Life Highland ALEO took a positive role in supporting community-run organisations that were facing financial difficulties.

98. Councils have also used the ALEO model to innovate and offer new services. As an example, Aberdeen City Council's Aberdeen Heat & Power ALEO has provided district heating schemes since 2002. The council is considering creating a new Energy Services Company (ESCO) to provide a wider range of energy services across Aberdeen as a whole.[15]

There is limited use of ALEOs to achieve shared benefits between councils
99. Councils have made limited progress in working together to provide services jointly, and we saw limited evidence of ALEOs being used in this way. Lothian Buses is the most significant example we identified (Case study 2, page 37). Others include: Dundee Energy Recycling Limited which provides service on behalf of both Dundee and Angus councils; Cordia's social care equipment service trades with neighbouring councils; and Stirling and Falkirk jointly own an ALEO that provides Geographical Information Services (GIS).

Case study 2

Lothian Buses Limited

Lothian Buses Limited is the largest municipal bus company in the UK. It carries about 120 million passengers per year, and contributes to wider transport objectives to deliver a healthy, inclusive, safe transport system.

It is owned 91 per cent by City of Edinburgh Council; and East Lothian, Mid Lothian and West Lothian councils own the remainder. Transport for Edinburgh is the holding company for Lothian Buses Limited and Edinburgh Trams Limited.

The company operates in the main a low fare, high passenger volume inclusive fares policy with a single flat fare across much of the network. As in the rest of Scotland, senior citizens travel free through a concessionary policy operated and funded by the Scottish Government.

Lothian Buses operates about 700 buses and has a vehicle replacement programme that procures vehicles that minimise emissions including hybrid and all electric vehicles. All buses are low floor and wheel chair accessible.

The company is profitable and makes a dividend payment to its constituent councils. For Edinburgh, the principle shareholder, annual dividends have risen from around £2 million in 2010 to over £6 million in 2017. The council has no restrictions on its use of the dividends; they are currently being used in part to fund the infrastructure costs of the Edinburgh Trams Project.

Source: Audit Scotland

Councils will need to consider the benefits and risks as ALEOs evolve

100. Financial constraints may reduce the funding councils provide to ALEOs. ALEO representatives have argued that funding cuts can be double edged as they reduce their ability to generate income and achieve the benefits that setting up an ALEO was meant to make possible.

101. We have seen examples of ALEOs merging to bring related services together and save costs. Mergers between leisure and culture ALEOs are an example. As ALEOs evolve and adapt, councils will need to carefully consider their viability including their ability to operate more independently. There is also a risk that 'super-ALEOs' become so large they lose the focus and flexibility that is seen to be one of their success factors. It is important that councils keep ALEOs under review and consider alternatives where they no longer meet their intended objectives.

Endnotes

1   *Code of guidance on funding external bodies and following the public pound* ⬇, Accounts Commission and Convention of Scottish Local Authorities (CoSLA), 1996. In 2005, the Code was given statutory backing in the form of a Ministerial Direction under s51(1) and (2) of the Local Government (Scotland) Act 2003 which required every local authority to comply with the FtPP Code when entering into any arrangement or agreement with a body corporate or implementing such an arrangement.

2   OSCR's 2015 report *Arm's-Length External Organisations* lists the charitable ALEOs identified at that time.

3   The LGiSA 2003, and the provisions around Best Value, Community Planning, and the power to advance wellbeing.

4   *The Councillors' Code of Conduct,* Scottish Government, 2010. The Standards Commission publishes guidance for councillors on how to interpret the provisions within the Code of Conduct.

5   *Advice for Councillors on Arm's-Length External Organisations*, The Standards Commission, September 2016.

6   www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees ⬉

7   *How councils work: Roles and working relationships in councils: are you still getting it right?* ⬇ Accounts Commission, November 2016.

8   Under what is known as the Teckal Exemption, codified in regulation 12 of the Public Contracts Regulations (PCR) 2015.

9   *Model Publication Scheme*, produced and approved by the Scottish Information Commissioner on 31 May 2017.

10 Scottish Household Survey data.

11 Financial returns submitted by charitable ALEOs to OSCR.

12 *Health and social care integration: Part 2.* To be published autumn 2018 on behalf of the Auditor General and the Accounts Commission.

13 Care Inspectorate (CI) grading assessments for registered services: care homes; support services; and housing support services (from The Care Inspectorate Datastore). The CI grades registered services on four themes: Care and Support; Environment; Staffing; Management and Leadership.

14 *Social work in Scotland* ⬇, Accounts Commission, September 2016.

15 The Scottish Government Scottish Futures Trust identifies Energy Services Companies (ESCOs) as a model for district heating schemes and other initiatives.

Appendix 1

Audit approach

Our audit work included a sample group of nine councils that make significant use of ALEOs, covering both urban and rural areas. We included the three councils that currently operate social care ALEOs.

Sample councils and ALEOs of interest		
Aberdeen	**The City of Edinburgh Council**	**Dundee City Council**
• Bon Accord, delivers social care • Aberdeen Heat & Power	• Edinburgh Leisure • CEC Holdings, a range of property companies	• Leisure and Culture Dundee • Dundee Energy Recycling Ltd
Fife Council	**Glasgow City Council**	**The Highland Council**
• Fife Sports & Leisure Trust • Fife Resource Solutions (waste management) • Fife Cultural Trust	• Cordia (social care) • Glasgow Life (leisure and culture) • Jobs and Business Glasgow • City Building	• High Life Highland (leisure and culture) • Beinn Tharsuinn Windfarm Community Limited
North Lanarkshire Council	**Scottish Borders Council**	**Stirling Council**
• Culture North Lanarkshire • North Lanarkshire Leisure Ltd • Mears Scotland LLP (property)	• SB Cares • Borders Sport and Leisure Trust	• Active Stirling Ltd (sports and leisure) • Stirling Development Agency Ltd

The audit work comprised document review, research and interviews with representatives from the sample group. These included officers, ALEO representatives and focus groups with elected members. Much of our on-site and research work was undertaken in late 2017.

We looked at a cross-section of ALEOs from this sample group. We did not look at:

- housing associations

- public-private partnerships, private finance initiatives or other financial partnerships

- councils' funding of the numerous smaller-scale activities delivered through the third sector and other external parties

- trading operations within councils or other partnership arrangements.

Appendix 2
The common forms of ALEO

Key features		
	Limited company	Can be a company limited by shares (CLS) or guarantee (CLG). The 'articles of association' set out the rules for decisions, ownership and control between the company and its 'members' who formed the company (typically the council).
	Limited Liability Partnerships (LLP)	As with a company, it is a separate legal identity that offers limited liability to its members. Governed by a partnership agreement, it offers greater flexibility than a company over internal arrangements, eg for taking decisions and the treatment of profits.
	Scottish Charitable Incorporated Organisation (SCIO)	A bespoke legal form for registered Scottish charities that has been available since 2011. SCIOs need only register with the Office of the Scottish Charity Regulator (OSCR). Limited companies can also be charities but must register with both OSCR and Companies House.
	Community Interest Company (CIC)	A form of company (limited either by shares or by guarantee) created as a 'social enterprise' to use its profits and assets to benefit the community. Related forms are community benefit societies (CBS) and cooperative societies that serve the interests of their members.
	Joint Venture (JV)	A general term for a commercial venture between partners, typically the council and the private sector. Can take different forms, eg CLS, LLP. Public-private partnerships, and private finance initiatives are also forms of JV partnerships.
	Trust	A body governed by 'trustees' through a trust deed. Unlike companies, they are not registered with a regulatory body and do not offer limited liability.

Appendix 3
Factors for councils to consider
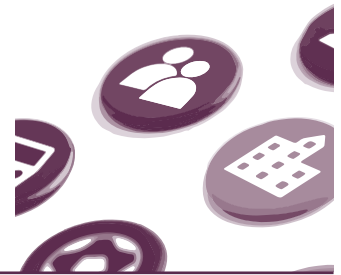
Business case assumption	Factors for councils to consider
ALEOs bring financial benefits through tax advantages, commercial trading and new funding opportunities	ALEOs bring financial benefits through NDR relief, new funding and wider commercial trading. Charitable status encourages donations and volunteering. The ALEO model safeguards against contract over-pricing as any surpluses can be retained in the public sector. **However, points to bear in mind:** There are uncertainties about whether new sources of income will continue over the longer term. For example: • Taxation benefits, eg NDR and VAT are subject to change. • Future income is affected by market forces. • Grants and new funding tend to be one-off, time limited or project specific; and there is increasing competition for them.
ALEOs bring strong identity, focus and responsiveness	Direction through an ALEO board can be more immediate and responsive than through a larger council body that has competing demands for attention. An ALEO's defined purpose, separate identity, and contractual obligations give a clear focus on performance. ALEO boards bring greater diversity and specialist expertise; ALEOs can compete to attract workforce talent. **However, points to bear in mind:** Councils can achieve similar benefits when ALEOs are not involved: • Councils can create a service identity and focus, for example through setting up separate business units with a distinct brand. • Councils already attract external expertise, eg through partnership working, and joint boards or committees. • Outsourcing can also bring expertise and specialisms to the benefit of the service.
ALEOs can bring workforce flexibility and efficiencies	ALEOs have brought new and improved practice in areas of workforce deployment. They have negotiated more flexible employment terms, for example to extend opening hours; and make use of casual staff and volunteers. **However, points to bear in mind:** • The best performing councils also demonstrate good workforce management and practice. These features are not unique to ALEOs. • Planned changes in an ALEO may be limited by expectations over workforce terms and conditions. • Financial pressures in an ALEO may impact on its ability to uphold terms and conditions including access to pensions. • If an ALEO is brought back into the council any differences in terms will need to be harmonised.

Councils' use of arm's-length organisations

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ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

SCRUTINY MANUAL

1.0   SUMMARY

1.1   The purpose of this paper is to present the Scrutiny Manual.

2.0   RECOMMENDATIONS

2.1   Members are requested to endorse the Scrutiny Manual.

3.0   DETAIL

3.1   At the Audit and Scrutiny Committee in March 2018 the Committee approved the Scrutiny Framework and noted the Chief Internal Auditor's (CIA) intention to develop a more detailed guidance manual to help deliver scrutiny reviews.

3.2   The CIA has drafted the manual and whilst it is predominantly operational guidance for members of the internal audit team there are aspects of the manual which will have an impact on council officers, elected members and external parties. In particular where they may be invited to give evidence to members of the Audit and Scrutiny Committee. Paragraph 13 of the manual confirms that the officers to be invited must be agreed with the relevant member of the SMT to ensure they have the appropriate knowledge and seniority.

3.3   Appendices 2 and 3 are template guidance to be provided to officers and external witnesses in the event that they are invited. Whilst large parts of this is administrative advice there is clearly an impact on council services due to the request for input from council officers and also a potential impact on the Council's reputation due to inviting external witnesses to give evidence. Note there is repetition between appendices 2 and 3 as much of the guidance appropriate for officers is also appropriate for external witnesses.

3.4   The manual, at paras 22-24, provides guidance on the process to be followed to clear a scrutiny report including the potential for the Audit and Scrutiny Committee to determine which of the other council committees the reports should be submitted to for consideration.

3.5   The manual was approved by the Council's Strategic Management Team .on 16 April 2018.
.
4.0   CONCLUSION

4.1   This report further formalises the Council's approach to scrutiny and provides guidance to council officers and elected members on the Council's approach to scrutiny.

5.0   IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	None
5.3	Legal:	None
5.4	HR:	None
5.5	Equalities:	None
5.6	Risk	Formalising approach to scrutiny should contribute to overall risk assurances levels within the Council
5.7	Customer Service	None

LAURENCE SLAVIN
Chief Internal Auditor
19 June 2018

For further information contact: Laurence Slavin, Chief Internal Auditor Tel: 01436 657694, laurence.slavin@argyll-bute.gov.uk

APPENDICES
1. Scrutiny Manual
.

Argyll and Bute Council

Scrutiny Manual

April 2018

Contents

Introduction

1. In March 2018 the Audit and Scrutiny Committee (the Committee) approved Argyll and Bute Council's (the Council) Scrutiny Framework (the Framework). This established the framework for scrutiny within the Council and it was intended for the use of anyone involved in the scrutiny process including:

   • members of the Audit and Scrutiny Committee
   • all elected members of the Council
   • staff involved in the scrutiny process and those who may be required to provide evidence as part of a scrutiny review
   • members of the public, partners and external organisations who may be invited to provide evidence as part of a scrutiny review.

2. The Framework sets out the process adopted to identify potential topics for scrutiny and confirms that the Chief Internal Auditor will develop and maintain guidance on the performance of scrutiny reviews. This manual provides that guidance and is designed to be a reference tool for officers carrying out scrutiny reviews, it is not intended to be prescriptive, but to help ensure the scrutiny review process is a more structured and informed one.

Scrutiny Reviews

3. Scrutiny reviews can be broken down into six stages as illustrated in exhibit 1. The process is cyclical as it can be necessary to revisit earlier steps as the review progresses.

Exhibit 1 – Six Stages of a Scrutiny Review

Stage 1-2 – Scoping and Identifying Required Evidence

4.   Initially a topic, when proposed, may be quite loosely defined. For it to be assessed against the prioritisation process defined in the Framework there may already have been a need for it to be clarified. However, if chosen for scrutiny, further clarification may be required to help determine a precise focus. This should be carried out by the appointed scrutiny officer in consultation with the topic proposer and the appropriate council service.

5.   Once the topic is clearly defined the scope of the review should be drafted. In particular we need to establish the:

   • purpose and objectives
   • specific areas to be covered and any exclusions
   • approach to be adopted
   • evidence required
   • people to be interviewed or invited to give evidence
   • anticipated outputs
   • timescales
   • resources, budget and responsible officers.

6.   Appendix 1 provides a template for 'Scoping a Scrutiny Review.' It provides a number of key steps to help define the scope and timeframe for undertaking a review.

Stage 3 – Evidence Gathering

7.   When considering how the evidence is to be gathered it is important to remember there is no definitive process. Every scrutiny review will be different and there are a range of different approaches that should be considered. These include:

   • public meetings
   • surveys
   • workshops / focus groups
   • site visits (internal and external)
   • sourcing data and reports
   • literature research
   • SWOT/PESTLE analysis
   • investigating good practice
   • reviewing performance and financial data including trends and comparisons
   • process mapping
   • investigating potential collaborators and/or alternative suppliers
   • interviewing experts
   • working with officers and elected members to research issues.

8.   The evidence can be categorised as either 'written and secondary evidence' or 'oral evidence'.

Written and Secondary Evidence

9.   This includes:

   • written evidence from internal and external individuals and organisations
   • notes taken by the scrutiny officer during interviews or site visits

- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.

10. All written evidence considered as part of the review should be kept on file and retained in a manner consistent with the requirements of the Council's records management plan.

Oral Evidence

11. The gathering of written evidence may identify a benefit in inviting internal and external individuals to provide oral evidence either to the scrutiny officer as part of the review, or directly to the Committee at an informal and private meeting. The scrutiny process should be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

12. It is important that, all internal and external individuals invited to give evidence, are:

- treated with courtesy and respect
- given ample notice of the time, date and place of meeting
- informed of the review scope
- provided with questions, or the line of questioning, in advance with an explanation that this will not be a restrictive list
- provided with copies of any relevant reports, papers and background information
- given the opportunity to submit written evidence in advance of the meeting which is circulated to Committee members
- given the opportunity to decline or to submit written evidence instead of appearing in person
- introduced to the Committee chair prior to the meeting commencing.

Council Officers/Elected Members Providing Evidence

13. Council officers invited to give evidence would normally be third tier managers or above (although this could extend to other elected members). The officers to be invited must be agreed with the relevant member of the Council's Senior Management Team and/or relevant Head of Service to ensure they have the necessary knowledge of the topic.

14. The evidence giving process must be seen as being supportive of scrutiny and not an opportunity to be critical of any officer giving evidence. Questions asked of officers must be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised. Scrutiny should never be used to question the capability of competence of officers, or about matters of a disciplinary nature, and questions should never be asked in a way that may be considered confrontational.

15. 'Guidelines for Officers Attending Scrutiny Committees' are included at Appendix 2. A copy of these guidelines should always be provided to officers prior to them attending meetings.

External Experts Proving Evidence

16. External experts can be an essential part of undertaking a scrutiny review and their evidence can be a valuable source of information. Providing information to a scrutiny review or attending a scrutiny committee may be a new experience to some and it should be remembered that external experts are attending on a voluntary basis. It is incumbent on the scrutiny team and Committee members to ensure their experience is positive and stress-free.

17. External experts can be drawn from a wide range of individuals and organisations, for example:

  • elected Members and officers from other councils
  • other external public sector bodies
  • voluntary sector organisations (local, regional and national)
  • professional associations
  • trade unions
  • private sector
  • user groups (local, regional and national)
  • community groups
  • experts in the subject area (academics, public or private sector managers).

18. 'Guidelines for External Experts Attending Scrutiny Committees' are included at Appendix 3. A copy of these guidelines should always be provided to witnesses prior to them attending meetings.

Stage 4-5 - Conclusions and Reporting

19. At the end of a review a draft report should be produced which provides a full picture of the issues under consideration and contains conclusions (key findings) and clear recommendations. The report must be evidence based and relate directly to the review scope.

20. Recommendations should focus on delivering improvements in service delivery, policy or strategic direction. The scoping phase of the review will have identified the purpose and objectives of the review and the final report should be closely aligned to those objectives. A template for the report has not been created as it could differ depending on the topic. It could range from a committee briefing to a full report. However, as a minimum, the output should include:

  • executive summary
  • introduction (including the background, scope and approach)
  • findings
  • recommendations
  • appendices (where required)

21. Recommendations contained within the report should be:

  • evidence based
  • concise and easy to understand
  • SMART (specific, measureable, achievable, realistic, and timely).

22. The draft report should be discussed and cleared with the relevant council officers. It should also be circulated to any external organisations or individual that has participated in the review to enable them to comment on the factual accuracy of any evidence relating to their organisation.

23. The draft report is then circulated to committee members for their consideration. The Committee can do this by meeting informally or by electronic review. At this stage the Committee may choose to agree the report or request further scrutiny work be carried out. Wherever possible the Committee should seek to reach a consensus on the report and the recommendations contained within it.

24. Once the Committee are satisfied with the conclusions and recommendations the report can be finalised and submitted to the next scheduled Committee meeting for endorsement. At this meeting the Committee will also determine which of the other council committees the report should be

submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees.

25. All scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted however this decision will only be taken in consultation with senior management and legal counsel as appropriate.

Stage 6 - Follow Up

26. All recommendations and any agreed action will be entered into the internal audit follow up database and followed up on using the established process for following up internal audit action points. This will provide the Committee with assurance that improvement action is being taken and will also check the progress of scrutiny in making a difference to the Council's decision making, policy development & implementation and service delivery.

Appendix 1 – Template for Scoping a Scrutiny Review

Scrutiny Topic:	
Scrutiny Officer:	
Date:	

Background
Explain the background to the topic. This will likely come from correspondence between the topic proposer (either elected member or senior officer). Embed the completed prioritisation process spreadsheet which will evidence that the topic has been assessed against the scrutiny prioritisation process and therefore meets the selection criteria approved by the Audit and Scrutiny Committee.
Objectives
Explain what is intended to be achieved by the review i.e. the main areas to be examined and the outcomes that are anticipated. Proposed objectives for the review should cover the various aspects that are to be examined, and will provide a useful checklist during the review to ensure all aspects of concern and interest are covered and conclusions reached.
Scope and Exclusions
Define in more detail the areas that will be covered. For example is the review to focus on the service in its entirety or is it to be limited to a geographical area or particular periods of the year etc. Highlight any aspects that will not be covered, perhaps because of constraints of time, expertise or because elements are already working well or subject to scrutiny elsewhere. Consider any regulatory standard(s) that apply to the service.
Approach
Outline how it is proposed to carry out the review. Depending on what is being reviewed there may be a range of approaches adopted to complete the review. We need to be clear at the outset what particular lines of enquiry will be used, as these will influence timescales, resources, the involvement of key stakeholders etc. Approaches may include: - reviewing performance data   - discussion with council officers   - site visits   - user surveys   - visits to other service providers or external partners (i.e. other councils, police, fire, community groups)   - invitation to internal and external experts to provide evidence   - public meetings.
Evidence Required
Consider what evidence needs to be gathered during the review and the format of it. Some examples to

consider are:
- interviews
- reports
- background reading
- written evidence
- research
- site visits (internal and external)
- workshops
- questionnaires/surveys

Also give specific thought to documents that are needed at the outset of the review which may need to be requested from council officers.

Interviews / Experts

Consider who might need to be interviewed as part of the review or invited to give evidence to the Committee. Consider:
- elected members
- council officers
- service users
- trade unions
- professional experts
- community groups
- external partners
- business representatives

Anticipated Output

Summarise what you expect the review to actually deliver (reflecting on the objectives that have been set and the approach that has been taken). For example:

- recommendations as to how policy or service delivery could be improved
- improved understanding of the challenges faced by the service
- suggested alternative approach to delivering a service in partnership with the community

Also consider whether the output is to be a full report, a briefing paper or a presentation and who is to present it.

Timescales

Consider setting timescales for:
- review commencing
- updates to Committee (where the review is expected to straddle more than one meeting)
- report to SMT (if appropriate)
- final report to Committee
- follow up

Resources, Budget and Responsible Officers

This section should identify who will be conducting the scrutiny review, the composition of the review team (if applicable), the number of days allocated to the review and, where necessary, the financial budget (for example where we need to buy in external expertise or support)

Appendix 2 – Guidelines for Officers Attending Scrutiny Committees

Giving Evidence to the Audit & Scrutiny Committee – A Guide for Council Officers

Introduction

This document provides guidance to Council staff who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve our decision making, policy development & implementation and service delivery.

What is the Committee?

The Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it is not a political committee and should always conduct itself impartially.

What does the Committee do?

The overall remit of the scrutiny element of the Committee is to '*perform a scrutiny role through the provision and delivery of a scrutiny work plan focused on improving the performance of the Council*.'

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement. The committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee.

The Chief Internal Auditor is responsible for ensuring that officers giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the questions to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor (laurence.slavin@argyll-bute.gov.uk)

Why have you been invited?

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

What are the arrangements for meeting members of the Committee?

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated

- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key questions which will form the basis of the discussion with the committee however the Committee may not restrict itself to these questions. This will allow you to come prepared and seek out any information that you may need in advance. You are encouraged to send an initial written response to these questions before the meeting takes place.

You should inform your line manager that you have been invited to the meeting. If you have any problems or questions, please contact the Chief Internal Auditor.

What happens at the meeting?

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than a couple of hours. Officers who support the Committee and any independent external expert will also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key questions will be discussed, with supplementary questions being asked where appropriate. You should be open and honest in your responses and feel free to raise additional issues related to the topic.

Please be aware that your participation in the process is very much seen as being supportive of scrutiny and is appreciated by all the Committee members. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly. It is not an opportunity for Committee members to be critical of any officer giving evidence or to question the competence of any officer. Questions will be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

What happens after the meeting?

After the meeting, you will be sent a summary note of the discussion. You are entitled to make any additions, deletions or amendments to this note and these should be highlighted and the document returned. The note is confidential until it has been agreed by all witnesses. Once the Committee has heard all the evidence, and drawn its conclusions and recommendations, a briefing or report will be written and submitted to a formal meeting of Committee. At this meeting the Committee will also determine which of the other council committees the report should be submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees. Scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

Appendix 3 – Guidelines for External Experts Attending Scrutiny Committees

Giving Evidence to the Audit & Scrutiny Committee – A Guide for External Experts

Introduction

This document provides guidance to external witnesses who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve its decision making, policy development & implementation and service delivery.

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What does the Committee do?

The overall remit of the scrutiny element of the Committee is to '*perform a scrutiny role through the provision and delivery of a scrutiny work plan focused on improving the performance of the Council.*'

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement.

The Committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

How does the Committee work?

The Committee collects evidence from a wide variety of sources including:

- written evidence from a range of internal and external individuals and organisations
- notes taken by the scrutiny team during interviews or site visits
- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.
- questioning witnesses, experts and relevant community groups
- surveys and questionnaires.

Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee.

The Chief Internal Auditor is responsible for ensuring that external experts giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the questions to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor (laurence.slavin@argyll-bute.gov.uk)

Why have you been invited?

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

What are the arrangements for meeting members of the Committee?

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated
- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key questions which will form the basis of the discussion with the committee however the Committee may not restrict itself to these questions. This will allow you to come prepared and seek out any information that you may need in advance. You are welcome to send an initial written response to these questions before the meeting takes place however this is entirely optional.

Meeting location

The meetings will most likely take place at the Council headquarters in Lochgilphead.

What happens at the meeting?

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than a couple of hours. Officers who support the Committee and any internal or external experts may also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key questions will be discussed, with supplementary questions being asked where appropriate. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

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provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

Am I obliged to attend?

Whilst your participation in the process will be very much appreciated by all the Committee members you are, of course, under no obligation to attend.   If you do not wish to be involved in the process or would prefer to just submit written evidence rather than attending to give oral evidence then you are perfectly entitled to make that choice.

Expenses

As you have been invited to attend a meeting the Council would reimburse you for any reasonable travelling expenses.

Agenda Item 13

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

STRATEGIC FINANCE   **19 JUNE 2018**

2018/19 SCRUTINY PLAN

1.0 SUMMARY

1.1 This report presents the proposed 2018/19 Scrutiny Plan.

2.0 RECOMMENDATIONS

2.1 Members are requested to:

- Agree and approve the 2018/19 Scrutiny Plan.
- Endorse the Chief Internal Auditor's (CIA) proposal to reschedule the 2018/19 audit of roads maintenance into the 2019/20 internal audit plan.
- Advise the CIA of their interest in attending scrutiny training if an appropriate course is made available.
- Endorse the CIA's proposal to conduct a review of lessons learned after the completion of the 2018/19 scrutiny plan to identify areas for improvement.

3.0 DETAIL

3.1 At the Audit and Scrutiny Committee in March 2018 the Committee approved the Scrutiny Framework which incorporates a section on 'Developing the Scrutiny Work Programme'. This confirmed that the Committee, on an annual basis, will seek ideas for scrutiny by inviting all members and senior officers to suggest potential topics. Topics are then assessed by the CIA using the prioritisation process set out in the framework with those assessments informing the draft scrutiny plan for the year. The framework confirms that the draft plan, with copies of the assessments, will be provided to members of the Committee for comment and feedback as part of the plan approval process.

3.2 Invitations were sent to all elected members and senior officers by the Council's Chief Executive on 22 March 2018 with a deadline for response set of 30 April 2018. A total of 8 proposals were received in that period and each of those have been assessed using the prioritisation process. Full copies of these assessments are included as appendices to this report however a summary is included in the table below:

Topic	Stage 1	Stage 2 Priority	Stage 3 Score	Summary
Three weekly refuse collection	Fail	N/A	N/A	The 2018/19 Internal Audit annual plan has a review of waste management scheduled for Q3, with an indicative high level scope of *'review of new refuse process and reporting and monitoring arrangements'*. Whilst this won't cover everything a scrutiny review would it is considered sufficient

				duplication to mean scrutiny would not add value at the current time.
Road budget allocation	Pass	High	81	The topic considers whether the Council is using the additional 2018/19 budget allocation to roads maintenance in a manner which focuses on the strategic priorities of the Council and whether decisions on expenditure reflect best value and best practice. The proposal is focused on ensuring that investment in the roads infrastructure reflects how critical the roads of Argyll and Bute are to delivering growing communities, reversing population decline and delivering the Council's economic strategy.
Road resurfacin g	Pass	High	81	The topic considers the Council's approach to road resurfacing and whether it is having a positive impact on the road condition index (RCI). In particular it considers whether: • the policy shift to focus maintenance works on "amber" rather than "red" condition roads and more surface dressing is effective / impacting on RCI • there other types of road surfacing/approaches to road resurfacing the Council should be considering • the use of technical data to determine priorities is working for local communities.
Gaelic Medium Units / Schools	Fail	N/A	N/A	The Council approved a Gaelic language plan in March 2018. Whilst Gaelic has been taught for considerably longer it is considered appropriate to allow the plan to take effect before considering scrutiny. Therefore it is considered that scrutiny would not be appropriate at the current time.
Housing / Planning – Tackling Depopula tion / economic growth	Pass	Medium	51	The topic identifies a potential performance issue directly relating to approved business outcomes and an overarching corporate outcome despite there being a range of initiatives aimed at delivering these outcomes. There may also be a lack of clarity over links between these initiatives and

				measurable progress. Consequently scrutiny may be productive in terms of seeking ways of improving the links between operational activity and progress or improvement. Furthermore the proposer highlights housing and planning as possible areas of focus and references the local development plan and council tax as levers to secure improvement. The proposal also seeks to review the activity of other councils to identify whether there are areas of good practice which we could learn from.
Officer/ Member Relations	Fail	N/A	N/A	The 2018/19 internal audit plan includes audits of member services and organisational culture. Officer member relations will, to some extent, be incorporated in the organisational culture audit and the management of member queries will be considered as part of the member services audit. This was explained to the topic proposers by the CIA and they were content with that approach being adopted.
Live Argyll	Fail	N/A	N/A	An audit of Live Argyll's governance arrangements is included in the 2018/19 internal audit plan. Live Argyll only commenced in October 2017. An audit focusing on ensuring the ALEO is putting the governance arrangements in place to allow it to manage its affairs and ensure the Council can comply with 'Following the Public Pound' is considered appropriate and proportionate. It is too early for scrutiny to make a meaningful impact on Live Argyll's performance, especially as currently there will be no meaningful baseline against which to measure performance.
Money Skills Argyll	Pass	Medium	51	Money Skills Argyll is a £3.75m project which has experienced a wide range of areas of concern relating to the regarding the delivery model, funding model, and engagement with delivery partners. Whilst the Council is reimbursed for the costs associated with the project via the Big Lottery Fund there is

				clear reputational risk to the Council if the project fails. It is also considered that the Council has a wider responsibility to ensure best value is delivered through the use of public funds. It is also considered that a critical friend approach to the project could identify valuable lessons to be learned by the Council when contemplating projects of a similar nature in future.

3.5   The table above shows that four reviews passed through stage of the process. In order of overall score these were:

1. Road budget allocation (81)
2. Road resurfacing (81)
3. Money Skills Argyll (51)
4. Housing/Planning - Tackling Depopulation / economic growth (51)

3.6   The two topics with the highest score both relate to roads maintenance and due to the demand on council officers time during a scrutiny review, it would not be appropriate to conduct more than one scrutiny review within the same service area within an annual cycle. Consideration was given to combining the two topics into one review however as the topics are different in nature it is considered better to keep them as two distinct reviews. Combining them would also create a scrutiny topic that is too large, especially for the first round of scrutiny reviews. Due to the current financial challenges and budget pressures, it was considered that the scrutiny review on road resurfacing, which will include whether budget could be used more effectively, may have a greater impact/scrutiny outcome than a review of the road budget allocation. Therefore it was determined that the road resurfacing topic was the more relevant of the two at the current time.

3.7   A roads maintenance audit is included in the 2018/19 internal audit plan with the high level scope of '*Follow up from previous audit report in 2014/15, and review control environment and policies and procedures'*. This is scheduled for Q4 (provisionally February/March) with this timing agreed with the Development & Infrastructure DMT during the creation of the 2018/19 internal audit plan. This timing was agreed to avoid audit work overlapping with the Roads and Amenity Services implementation of the new control and information HUB. For the same reason scheduling scrutiny work earlier than Q4 would be challenging. Performing an audit review and scrutiny work at the same time within a service would create a considerable pressure on the service and is likely to be counterproductive to service delivery. For this reason the CIA is recommending the roads maintenance audit be postponed until 2019/20.

3.8   The Money Skills Argyll and Housing/Planning - Tackling Depopulation / economic growth topics were scored exactly the same. The Housing/Planning topic is considered the wider reaching and more complex scrutiny review. As this is the first year of the new scrutiny approach, it would be sensible for the initial reviews to be less complex in nature to allow the capacity for scrutiny to be established and developed. The Housing/Planning topic will be carried forward for consideration alongside other suggested topics when drafting the 2019/20 scrutiny plan.

3.9   On the basis of paragraphs 3.6 – 3.8 the CIA is recommending the 2017/18 scrutiny plan incorporates scrutiny of:

- Money Skills Argyll (provisionally to be performed in Q3)
- Road resurfacing (provisionally to be performed in Q4)

3.10   The Council are in the early stages of rolling out and performing scrutiny. The scrutiny officers who will be involved are all staff within the audit team and, whilst they have a general understanding of what scrutiny means and the difference between scrutiny and audit, they would benefit from formal training to enhance that understanding, ensure they appreciate their role in scrutiny and increase their confidence in conducting scrutiny reviews including a firmer understanding of how to scope and carry out a review. Similarly elected members have some knowledge of what a scrutiny review would look like but may benefit from a clearer understanding of the difference between audit and scrutiny, their role in the scrutiny process and the input that may be expected of them.

3.11   The CIA is currently engaging with the Council's procurement team to ascertain the availability and quality of external training, but at this stage no firm plans are in place. The training is likely to be over one or possibly two days in either Helensburgh or Lochgilphead It is hoped the course could be held in August once elected members return from the summer recess. Invitations would be extended to all members of the Audit and Scrutiny Committee and all audit team staff. It would be helpful if the members of the Committee could advise the CIA of their interest in attending such a course should it be made available.

3.12   After the completion of the first two scrutiny reviews it would be beneficial to reflect upon the process adopted and seek feedback from officers and elected members to identity lessons learned which would lead to improvements in future scrutiny work.

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4.0   CONCLUSION

4.1   This report further formalises the Council's approach to scrutiny and provides guidance to council officers and elected members on the Council's approach to scrutiny.

5.0   IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	There will be a cost associated with the provision of a scrutiny training course. As this will be put out for competitive tender an indicative cost has not been detailed in this paper. The cost will be met from within the existing audit and scrutiny budget.
5.3	Legal:	None
5.4	HR:	None
5.5	Equalities:	None
5.6	Risk	Formalising the approach to scrutiny should

contribute to overall risk assurances levels within the Council

| 5.7 | Customer Service | None |

LAURENCE SLAVIN
Chief Internal Auditor
19 June 2018

For further information contact: Laurence Slavin, Chief Internal Auditor Tel: 01436 657694, laurence.slavin@argyll-bute.gov.uk

APPENDICES
1. Three weekly refuse collection prioritisation process
2. Road budget allocation prioritisation process
3. Road resurfacing prioritisation process
4. Gaelic Medium Units/Schools prioritisation process
5. Depopulation / economic growth prioritisation process
6. Officer / Member relations prioritisation process
7. Live Argyll prioritisation process
8. Money Skills Argyll prioritisation process

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Proposal Title	3 Weekly Refuse Collection
Proposal Text	The operation of the new 3 weekly bin collection and recycling policy/regime, which touches on every household and business in Argyll and Bute and was driven by very defined financial and environmental drivers. It has been in substantive operation for over a year now so has bedded in, but the end to end operation would probably benefit from an independent to review to ensure it is working effectively and delivering the benefits mooted.

1. **Why you are proposing the topic.** I am proposing the topic as few services the council's deliver touch every household and are regarded as the primary duty of well run council – Picking up the rubbish is a litmus test if you like. Also it is a topic that spans back office and front office functions and how well they work together. This has also been an area of seismic change and it is important after the dust has settled to see objectively if it has been a change for the better and if the original design can be further improved.
2. **What are the key questions which you would like the review to consider.** The review needs to ascertain if the new service has bedded in effectively in terms of sufficiency of resources to work it (failure demand), in terms of efficiency of end to end service delivery (and benchmarked with other rural councils), in terms of realising the benefits originally mooted and if improvements can be made to people, tools, processes and systems.
3. **What would you hope the review to achieve / or what outcomes would you anticipate?** To demonstrate to elected members and the public that we are not afraid to scrutinise even contentious subjects in a determined effort to continually improve. To identify successes and address shortcomings and to bring a fresh and independent perspective on positive changes that can be made where needed. |

Audit and Scrutiny Committee 19 June 2018 - Agenda Item 12 Appendix 1

	TOPIC TITLE:		3 weekly refuse collection
	DATE OF SUBMISSION:		03 April 2018
	PRELIMINARY ASSESSMENT		
	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	Bin collection affects every household in Argyll & Bute. Latest LGBF figures show that 70% of adults in A&B are satisfied with refuse collection (Scottish average is 79%), this is a reduction of 21.35% in the previous two years and may relfect the move to 3 weekly collections.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	No	As per Recycling Performance report submitted to the Economic Development and Infrastructure Committee on 8 March 2018 the tonnage of biodegradable waste sent to landfill in the calendar year 2017 was 18,556 tonnes compared with 20,949 tonnes in calendar year 2016 (decrease of 2.5%). We verified these figures against the performance reporting system Pyramid and only identified a very minor variance. Furthermore, the report confirms an increase in the level of recycling of waste to 49.4% in 2017 from 46.5% in calendar year 2016. The most recent LGBF figures show that 33.9% of A&B household waste is recycled compared with a Scottish average of 45.2%. The 33.9% has increased marginally by 0.3% in the last two years.
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	No	A review of Local Government Benchmarking placed the council 26th out of 32 Councils in Scotland for the % of household waste recycled in 2016/17. This provides evidence that there may be lessons learned to further improve our recycling rates. As there has been an improvement between 2016 and 2017 it is questionable whether scrutiny at the current time is appropriate. This may be a topic for future scrutiny once we can assess a longer term pattern of performance.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	The 2018/19 budget for Business Outcome - Waste is disposed of sustainably (BO24) is approximately £12.14 million as per the 2018/20 service plan included in the 18/19 budget pack.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	Yes	The 2018/19 Internal Audit annual plan has a review of waste management scheduled for Q3, with an indicative high level scope of 'review of new refuse process and reporting and monitoring arrangements'. Whilst this wouldn't necessarily cover everything that a scrutiny review would cover it is felt that there is sufficient duplication to justify not to perform scrutiny in this area at this current time.
	Does the issue pass to stage 2 assessment?	Fail	

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Proposal Title	Allocation of additional roads budget
Proposal Text	Scrutiny of how we are using the additional roads monies in a very strategic way as per administration policy 1. Why you are proposing the topic. 2. What are the key questions which you would like the review to consider. 3. What would you hope the review to achieve / or what outcomes would you anticipate 1....roads in Argyll and Bute form a critical part of our delivery of growing our community and reversing population decline ....they are also crucial to our economic strategy as an arterial lifeline for goods and services as well as tourism 2......do the decisions on spend reflect the points made at no 1 and can you demonstrate that and best value and practise 3...demonstrable improvement in strategic thinking as the cornerstone in operational planning ...that we would have a delivery model that other authorities could use because it can demonstrate it works .....finally .....I anticipate that while the monies no in play will not produce miracles......they will achieve significant improvement quickly .....which with further when available investment begin to produce a better infrastructure model .

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TOPIC TITLE:	Allocation of additional roads budget	
DATE OF SUBMISSION:	17 April 2018	
PRELIMINARY ASSESSMENT		
	QUESTION	RESPONSE	RESPONSE JUSTIFICATION

	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	The Roads infrastructure affects people council wide.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	A review of the LGBF network highlighted that over the period 2015-2017 the % of roads in Argyll & Bute (ABC) in need of maintenance compared to the Scottish average was as follows: - local A class roads - 45%/30% - local B class roads - 63%/35% - local C class roads - 60%/35% - unclassified roads - 53%/40% It is recognised that 40% of the Council's overall roads network is on islands, and 23% of the roads are built on peat meaning the council does have unique challenges in maintaining its road network. This means that comparisons against the national average, whilst still useful, are not entirely representative of the level of performance within the Council. It is also worth noting that ABC as a rural council should not be compared to Urban Councils, therefore the LGBF data was used to compare ABC against the following councils; - Aberdeenshire - Highland - Dumfries & Galloways - Scottish Borders - Eilean Star ABC was identifed as having the highest % of roads requiring repair on roads classified as A, B and C and had the 3rd highest % for unclassified roads.

	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	Yes	As per the response to question 2 there is evidence that the Council are considerably behind the Scottish average in terms of the standard of our roads which have a clear impact on strategic considerations such as Growing our Committee, Economic Strategy and Tourism. Therefore there is evidence that there may be lessons to be learned through engagement with other road authorities.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	As per the budget papers submitted to Council on the 22 February, the total capital budget allocation for 2018/19 is approx £8.63 million. This includes £5.5 million of additional capital funding agreed at the same Council meeting. The revenue budget for Roads Operations for 2018/19 is approx £5.3 million.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	No	Roads Maintenance performance is reported to the EDI committee as per the Council's approach to performance management however we are not aware of any other external or internal scrutiny of roads management in the previous two years. The 18/19 internal audit plan has a roads maintenance review with the indicative high level scope being 'to follow up on the 2014/15 internal audit of roads maintenance and a general review of the control environment and policies and procedures' however this would not focus on the proposed topic of how roads maintenance budgets are allocated. However if roads maintenance selected as an issue for scrutiny consideration will need to be given to postponing the roads maintenance audit until 2019/20 so as not to overburden officers and also to follow up to scrutiny can be incorporated into the audit.
	Does the issue pass to stage 2 assessment?	Pass	
	QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
6	Is the scutiny activity timely - i.e. will it be possible to implement changes at the current time?	Yes	There are no restrictions in implementing new ideas within roads maintenance, furthermore Roads and Amenity services are in the process of implementing control and information HUB to enable a focus on quality delivery and delivering a service with increasing levels of customer expectation. Therefore the identification of potential improvements could potentially be managed within the project to deliver the new HUB.
7	Is there adequate resources in place to scrutinise the issue effectively?	Yes	The scrutiny work programme for 2018/19 is to be submitted to the June 2018 Audit and Scrutiny Committee there are currently no reviews planned until such time this programme is approved.
8	Is it an issue which has attracted public attention and/or highlighted by residents?	Yes	In 2017/18 there were a total of 767 complaints logged from the public across all Council areas. 79% (608) of these related to areas within Development and Infrastructure of which 129 (21%) were categorised as relating to roads maintenance.

| 9 | Does it address an area highlighted by the Council's risk management process or other audit/scrutiny reports? | Yes | There are 4 risks relating to roads maintenance on D&I's Operational Risk Register for 2018. All 4 risks relate primarily to the effect that adverse weather would have on operations. Although the proposed topic does not related to adverse weather this indicates that the management and delivery of roads maintenance is an issue which features prominently within the risk management process of the council.

Audit Scotland - Maintaining Scotland's Roads follow up report identified Argyll & Bute as having the lowest % of acceptable roads in Scotland in 2014/15. |
| **Stage 2 Assessment Outcome** | High Priority | |

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Audit and Scrutiny Committee 19 June 2018 - Agenda Item 12 Appendix 2

TOPIC TITLE:	Allocation of additional roads budget
DATE OF SUBMISSION:	17 April 2018
STAGE 2 ASSESSMENT OUTCOME:	High Priority

	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	< 10% over target	2	3	6	The current target for RA14_03 - Road Condition Index is for less than than 54.4% of roads to be in need of maintenance. Our performance for the last 3 years was as follows: - 2014/15 - 44.4% - 2015/16 - 45.6% - 2016/17 - 45.6% - 2017/18 - 54.2% Therefore for the most current year we are under 10% over target.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Major contribution	4	3	12	The R&A service plan confirms that the Roads Condition Index is a key performance indicator for measuring the delivery of business outcome BO14 - Our transport infrastructure is safe and fit for purpose. The service plan specifically highlights maintaining a safe road network as a significant challenge. Due to this specific reference within the R&A service plan and the wider impact of road condition on areas such economic growth, rural sustainability and tourism we consider that this is an area which makes a major contribution to the delivery of Council objectives.
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Significant	3	2	6	As per question 8 in the preliminary filter, in 2017/18 there were a total of 767 complaints logged from the public across all Council areas. 79% (608) of these related to areas within Development and Infrastructure of which 129 (21%) were categorised as relating to roads maintenance.
4	What is the revenue and/or capital budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	As per the budget papers submitted to Council on the 22 February, the total capital budget allocation for 2018/19 is approx £8.63 million. This includes £5.5 million of additional capital funding agreed at the same Council meeting. The revenue budget for Roads Operations for 2018/19 is approx £5.3 million.
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Slight over/under spend	1	2	2	For 2014/15 the roads maintenance budget came in 5.34% overspent against a budget of £4.4million. For 15/16 the budget came in at 3% overspent against a budget of £4.3million. For 16/17 there was an overspend of 6% against a budget of £4.2million.
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Not applicable	0	2	0	Under the Road (Scotland) Act 1984 a local roads authority shall manage and maintain all such roads in their area as are for the time being entered in a list (in this Act referred to as their "list of public roads") prepared and kept by them. However the proposed scrutiny topics refers predominantly to how the council chooses to target exenditure on roads maintenace and this is entirely a matter at the discretion of the Council therefore there is no legislative basis which affects this issue.

7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	The roads network affects users across the council.
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - red risk	4	3	12	There are 4 risks relating to roads maintenance on D&I's Operational Risk Register for 2018. All 4 risks relate primarily to the effect that adverse weather would have on operations. Although the proposed topic does not related to adverse weather this indicates that the management and delivery of roads maintenance is an issue which features prominently within the risk management process of the council. Two of these risks are classified as red, one is amber and one is green.

WEIGHTED TOTAL	54
HIGH / MEDIUM FACTOR	1.5
TOTAL SCORE	81

Proposal Title	Road Resurfacing
Proposal Text	Road resurfacing, which would include: o Analysis over whether the recent policy shift to focusing on "not great" rather than "bad" road condition and more surface dressing is effective/ impacting on our RCI o Are there other types of road surfacing/approaches to road we should be looking at (e.g. have any trials in other areas of rubber/plastic based materials proved successful)? o Is the use of technical data to determine priorities working for local communities? Are there any other approaches or additional datasets that should be considered?

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Audit and Scrutiny Committee 19 June 2018 - Agenda Item 12 Appendix 3

	TOPIC TITLE:	Road resurfacing (consideration of alternative materials, policy shift toward treatment of 'amber' roads before 'red'
	DATE OF SUBMISSION:	29 April 2018

	PRELIMINARY ASSESSMENT		
	QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	The Roads infrastructure affects people council wide.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	A review of the LGBF network highlighted that over the period 2015-2017 the % of roads in Argyll & Bute (ABC) in need of maintenance compared to the Scottish average was as follows: - local A class roads - 45%/30% - local B class roads - 63%/35% - local C class roads - 60%/35% - unclassified roads - 53%/40% It is recognised that 40% of the Council's overall roads network is on islands, and 23% of the roads are built on peat meaning the council does have unique challenges in maintaining its road network. This means that comparisons against the national average, whilst still useful, are not entirely representative of the level of performance within the Council. It is also worth noting that ABC as a rural council should not be compared to Urban Councils, therefore the LGBF data was used to compare ABC against the following councils; - Aberdeenshire - Highland - Dumfries & Galloways - Scottish Borders - Eilean Star ABC was identified as having the highest % of roads requiring repair on roads classified as A, B and C and had the 3rd highest % for unclassified roads.

3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	Yes	As per the response to question 2 there is evidence that the Council are considerably behind the Scottish average in terms of the standard of our roads. There are other councils who have or are piloting alternative approaches to road resurfacing including the consideration of alternative materials. Therefore there is evidence that there may be lessons to be learned through engagement with other road authorities.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	As per the budget papers submitted to Council on the 22 February, the total capital budget allocation for 2018/19 is approx. £8.63 million. This includes £5.5 million of additional capital funding agreed at the same Council meeting. The revenue budget for Roads Operations for 2018/19 is approx. £5.3 million.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	No	Roads Maintenance performance is reported to the EDI committee as per the Council's approach to performance management however we are not aware of any other external or internal scrutiny of roads management in the previous two years. The 18/19 internal audit plan has a roads maintenance review with the indicative high level scope being 'to follow up on the 2014/15 internal audit of roads maintenance and a general review of the control environment and policies and procedures' however this would not focus on the proposed topic of how roads maintenance budgets are allocated. Roads Maintenance performance is reported to the EDI committee as per the Council's approach to performance management however we are not aware of any other external or internal scrutiny of roads management in the previous two years. The 18/19 internal audit plan has a roads maintenance review with the indicative high level scope being 'to follow up on the 2014/15 internal audit of roads maintenance and a general review of the control environment and policies and procedures' however this would not focus on the proposed topic of how roads maintenance budgets are allocated. However if roads maintenance selected as an issue for scrutiny consideration will need to be given to postponing the roads maintenance audit until 2019/20 so as not to overburden officers and also to follow up to scrutiny can be incorporated into the audit.
	Does the issue pass to stage 2 assessment?	Pass	

	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
6	Is the scrutiny activity timely - i.e. will it be possible to implement changes at the current time?	Yes	There are no restrictions in implementing new ideas within roads maintenance, furthermore Roads and Amenity services are in the process of implementing control and information HUB to enable a focus on quality delivery and delivering a service with increasing levels of customer expectation. Therefore the identification of potential improvements could potentially be managed within the project to deliver the new HUB.
7	Is there adequate resources in place to scrutinise the issue effectively?	Yes	The scrutiny work programme for 2018/19 is to be submitted to the June 2018 Audit and Scrutiny Committee there are currently no reviews planned until such time this programme is approved.
8	Is it an issue which has attracted public attention and/or highlighted by residents?	Yes	In 2017/18 there were a total of 767 complaints logged from the public across all Council areas. 79% (608) of these related to areas within Development and Infrastructure of which 129 (21%) were categorised as relating to roads maintenance.
9	Does it address an area highlighted by the Council's risk management process or other audit/scrutiny reports?	Yes	There are 4 risks relating to roads maintenance on D&I's Operational Risk Register for 2018. All 4 risks relate primarily to the effect that adverse weather would have on operations. Although the proposed topic does not related to adverse weather this indicates that the management and delivery of roads maintenance is an issue which features prominently within the risk management process of the council. Audit Scotland - Maintaining Scotland's Roads follow up report identified Argyll & Bute as having the lowest % of acceptable roads in Scotland in 2014/15.
	Stage 2 Assessment Outcome	High Priority	

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TOPIC TITLE: Road resurfacing (consideration of alternative materials, policy shift toward treatment of 'amber' roads before 'red' roads, use of technical data to determine priorities working for local communities)

DATE OF SUBMISSION: 29 April 2018

STAGE 2 ASSESSMENT OUTCOME: High Priority

	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	< 10% over target	2	3	6	The current target for RA14_03 - Road Condition Index is for less than 54.4% of roads to be in need of maintenance. Our performance for the last 3 years was as follows: - 2014/15 - 44.4% - 2015/16 - 45.6% - 2016/17 - 45.6% - 2017/18 - 54.2% Therefore for the most current year we are under 10% over target.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Major contribution	4	3	12	The R&A service plan confirms that the Roads Condition Index is a key performance indicator for measuring the delivery of business outcome BO14 - Our transport infrastructure is safe and fit for purpose. The service plan specifically highlights maintaining a safe road network as a significant challenge. Due to this specific reference within the R&A service plan and the wider impact of road condition on areas such economic growth, rural sustainability and tourism we consider that this is an area which makes a major contribution to the delivery of Council objectives.
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Significant	3	2	6	As per question 8 in the preliminary filter In 2017/18 there were a total of 767 complaints logged from the public across all Council areas. 79% (608) of these related to areas within Development and Infrastructure of which 129 (21%) were categorised as relating to roads maintenance.
4	What is the revenue and/or capital budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	As per the budget papers submitted to Council on the 22 February, the total capital budget allocation for 2018/19 is approx. £8.63 million. This includes £5.5 million of additional capital funding agreed at the same Council meeting. The revenue budget for Roads Operations for 2018/19 is approx. £5.3 million.
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Slight over/under spend	1	2	2	For 2014/15 the roads maintenance budget came in 5.34% overspent against a budget of £4.4million. For 15/16 the budget came in at 3% overspent against a budget of £4.3million. For 16/17 there was an overspend of 6% against a budget of £4.2million.
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Not applicable	0	2	0	Under the Road (Scotland) Act 1984 a local roads authority shall manage and maintain all such roads in their area as are for the time being entered in a list (in this Act referred to as their "list of public roads") prepared and kept by them. However the proposed scrutiny topics refers predominantly to how the council chooses to target revenue expenditure on roads maintenance and road resurfacing approaches and this is entirely a matter at the discretion of the Council therefore there is no legislative basis which affects this issue.

7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	The roads network affects users across the council.
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - red risk	4	3	12	There are 4 risks relating to roads maintenance on D&I's Operational Risk Register for 2018. All 4 risks relate primarily to the effect that adverse weather would have on operations. Although the proposed topic does not related to adverse weather this indicates that the management and delivery of roads maintenance is an issue which features prominently within the risk management process of the council. Two of these risks are classified as red, one is amber and one is green.

WEIGHTED TOTAL	54
HIGH / MEDIUM FACTOR	1.5
TOTAL SCORE	81

Proposal Title	Effectiveness of Gaelic Medium Units / Schools in Keeping the Language Alive
Proposal Text	Effectiveness of Gaelic Medium Units/schools in keeping the Gaelic language alive? i.e. do children who learn in the Gaelic medium then continue to use the language/raise their children to use the language?

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TOPIC TITLE:		Effectiveness of Gaelic Medium Units / Schools in Keeping the Language Alive	
DATE OF SUBMISSION:		29 April 2018	
PRELIMINARY ASSESSMENT			
	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	As per the Council's Gaelic Language Plan (2018-2022) there are six primary schools which deliver Gaelic Medium Education, with a further 24 currently offering Gaelic for Learners (currently 1,205 Gaelic learners in primary schools). There are also four secondary schools that offer Gaelic (Learners)and Gaidhlig to Advanced Higher Level (Islay High, Tobermory High, Tiree High and Oban High. Dunoon Grammar School has a Gaidhlig (Fluent) Pathway from S1 to S6.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	The Council conducted an assessment of existing internal Gaelic capacity as part of the preparation of the Gaelic Language Plan and this included a survey for which 48% of respondents felt that Gaelic could be increased within Argyll and Bute Council with 31% saying they would like to learn Gaelic or improve their Gaelic. Whilst this provides a degree of evidence for demand it doesn't necessarily demonstrate poor performance by the Council. The plan was approved by the Community Services Committee in March 2018 and, as such, it is too early to assess whether it is resulting in an increase in Gaelic learning within A&B. Given this is an area of national attention and a priority of the Scottish Government it could be considered as an emerging issue.
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	No	As per the response to question 2 the Council's Gaelic Language Plan was only approved in March 2018. Whilst the teaching of Gaelic has been in place for far longer than that it is considered to be appropriate to allow time for the new plan to take effect before considering this as an area for scrutiny. Furthermore the topic proposal specifically asks '*do children who learn in the Gaelic medium then continue to use the language/raise their children to use the language*' It is doubtful whether the Council's scrutiny officers would be able to gather sufficient data to make an informed decision to answer this query. Therefore it s not considered likely that scrutiny would result in improvement at the current time.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	No	As the topic has failed at question 3 this question has not been completed.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	No	As the topic has failed at question 3 this question has not been completed.
	Does the issue pass to stage 2 assessment?	Fail	

Proposal Title	Housing/Planning - Tackling depopulation and facilitating economic growth
Proposal Text	Whether our approaches around Housing/Planning could be improved in terms of keeping and attracting more working age people in the area. We do work across several teams such as Housing with empty homes officer, Planning with the LDP work and Customer Services in terms of council tax charging – really the question is just is there more we could do in relation to our specific aims around depopulation? At a strategic level is there enough focus in ensuring that all of these areas integrate their actions? Have other Council areas taken action that we could learn from?

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TOPIC TITLE:	Housing/Planning - Tacking depopulation and facilitating economic growth
DATE OF SUBMISSION:	29 April 2018

PRELIMINARY ASSESSMENT		
QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
1 Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	The Council has a series of initiatives aimed at tackling the risk of population and economic decline. These include an economic forum, rural resettlement fund, strategic economic development action plan, strategic infrastructure plan, promoting Argyll and Bute and the Rural Growth Deal. These are Council wide initiatives. Population and economic decline has a council wide impact in terms of potential impact on areas such as, but not limited to, council funding, service delivery, tourism, failing businesses etc
2 Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	As there are a wide range of council initiatives (as detailed in the answer to question 1) an assessment of performance is difficult to make due to the nature of the initiatives and differing overall objectives. As the primary focus of the topic is to see if the Council's approaches could be improved in terms of keeping and attracting more working age people to the area a review was done of the A&B population of people aged 16-64 via the Nomis website both as a total number and as a percentage of the total A&B population. This was done over the period 2011-2016 (more recent data not available). This shows that the total number of 16-64 year olds in A&B has reduced by a total of 2,800 (from 55,100 to 52,300) between 2011 and 2016 with there being a reduction every year bar 2015 to 2016 where the figure was stable. It also shows that, on average across the period 60.67% of A&Bs total population is aged 16-64 whereas the Scottish average is 65.08%. This may not indicate the initiatives are not having a positive impact on population figures as it isn't clear what the figures would be without the initiatives. For example the Rural Resettlement Fund (which is now closed), as an initiative, as at January 2018 has approved 50 personnel relocation grants and 4 self-employed relocation grants. However, at a high level, there is enough evidence to suggest that the current initiatives are not have a material impact on working age population decline. It is also noted that the latest LGBF data has A&B 26th out of the 32 Scottish councils for number of business gateway start ups and 32nd for % of unemployed people assisted into work by councl funded/operated employability programmes.

	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	Yes	As per the previous responses there is a number of initiatives ongoing within the Council where population decline is a primary or secondary objective. Given the volume of them and the fact that high level data suggests they are not currently having a material impact in terms of reversing that decline there is some evidence to suggest that scrutiny may have a positive impact on output.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	The RRF initiative alone exceeds £100k. The Council's 2016/17 budget allocated a one-off £500k RRF fund to help incentivise new residents and/or businesses to relocate to A&B.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	No	Whilst individual initiatives may have been subject to review (for example the RRF was subject to scrutiny as part of the 2017/18 internal audit plan) there has not been a more comprehensive review to ascertain whether the various strands of work are delivering as effectively as they could be or are appropriately integrated.
	Does the issue pass to stage 2 assessment?	Pass	
	QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
6	Is the scrutiny activity timely - i.e. will it be possible to implement changes at the current time?	Yes	There would be no foreseeable restrictions on implementing any areas for improvement identified by scrutiny.
7	Is there adequate resources in place to scrutinise the issue effectively?	Yes	The scrutiny work programme for 2018/19 is to be submitted to the June 2018 Audit and Scrutiny Committee there are currently no reviews planned until such time this programme is approved.
8	Is it an issue which has attracted public attention and/or highlighted by residents?	No	Whilst this is an issue which can have a material impact on the public (for the reasons documented in question 1) it is not necessarily a topic which would feature greatly in terms of public correspondence to the Council.
9	Does it address an area highlighted by the Council's risk management process or other audit/scrutiny reports?	Yes	Population and economic decline is a red risk in the Council's strategic risk register
	Stage 2 Assessment Outcome	Medium Priority	

TOPIC TITLE: Housing/Planning - Tacking

DATE OF SUBMISSION: 29 April 2018

STAGE 2 ASSESSMENT OUTCOME: Medium Priority

	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	< 10% under target	3	3	9	As per question 2 in the 'Preliminary Filter' stage, as there are a wide range of council initiatives an assessment of performance is difficult to make due to the nature of the initiatives and differing overall objectives of them. As such it is not possible to clearly determine the extent to which performance is above or below target. As the population of working age people in A&B is showing a pattern of decline it is reasonable to assume that performance can be classified as 'under target.' For the purposes of this scoring a judgement has been made that the performance is <10% under target.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Major contribution	4	3	12	One of the Corporate Outcomes is 'Our economy is diverse and thriving' which has the associated Business Outcome BO23 'Economic growth is supported'. Within the Economic Development and Strategic Transportation 2018-2020 service plan there is a specific service challenges centred around ensuring there are sufficient trained and skilled workforce to take advantage of economic opportunities and within the Planning, Housing and Regulatory Services there is a specific challenges centred on delivering the Strategic Housing Investment Plan. It is clear that reversing population decline, in particular with regard to the working age population is critical to the delivery of key areas of the corporate plan.
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Slight	1	2	2	As per question 8 in the preliminary filter whilst this is an issue which can have a material impact on the public it is not necessarily a topic which would feature greatly in terms of public correspondence to the Council. A classification of 'Slight' has been awarded to reflect the fact that some correspondence may relate to issues affected by depopulation or economic decline rather than specifically being about depopulation/economic decline.
4	What is the revenue and/or capital budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	As previously mentioned there are a number of initiatives that are designed to contribute toward reversing population decline and creating economic growth. As such it is difficult to put an exact budget to it as a topic. However business outcome BO23 has a budget allocation within the Economic Development and Strategic Transportation 2018-2020 service plan of £1,004,308. For this reason, it is not possible to assess performance against budget so a default position of 'largely on budget' has been selected.
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Largely on budget	0	2	0	For the reasons set out in the response to Q4 above it is not possible to assess performance against budget for this area. Therefore it is not possible to assess performance against budget so a default position of 'largely on budget' has been selected.

#	Question	Options	Answer				Comment
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Not applicable	0	2	0	There is no legislation in place in relation to this topic which places any obligation on the Council to deliver economic growth.
7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	The Council has a series of initiatives aimed at tackling the risk of population and economic decline. These include an economic forum, rural resettlement fund, strategic economic development action plan, strategic infrastructure plan, promoting Argyll and Bute and the Rural Growth Deal. These are Council wide initiatives. Population and economic decline has a council wide impact in terms of potential impact on areas such as, but not limited to, council funding, service delivery, tourism, failing businesses etc
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - red risk	4	3	12	Population and economic decline is a red risk in the Council's strategic risk register. In particular the risk is expressed as 'Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors' with the potential consequences being: 1. Population decline reduces available funding impacting on Councils capacity to deliver services, 2. A circle of decline with reduced employment, lower earning and failing businesses and poor perception of the area. 3. Combined population and economic decline may increase the need for and cost of services. 4. Insufficient people of working age with appropriate skills and experience to fill vacancies across CPP

WEIGHTED TOTAL	51
HIGH / MEDIUM FACTOR	1
TOTAL SCORE	51

Proposal Title	Officer Member Working Relationships
Proposal Text	The Chief Internal Auditor met with the two elected members making the proposal rather than it being provided in writing. The general theme of the proposal was to perform scrutiny on officer/member working relationships with a specific focus on officer responses to member queries. This was raised within the context of Roads & Amenity Services however it was recognised that this could simply be because R&AS are the directorate that attracts the most attention from the public.

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TOPIC TITLE:			Officer Member Working Relationships	
DATE OF SUBMISSION:			20 April 2018	
PRELIMINARY ASSESSMENT				
	QUESTION	RESPONSE	RESPONSE JUSTIFICATION	
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	The topic relates to how officers respond to member queries which are largely driven by public queries raised with members. This can clearly be a council wide issue.	
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	This is not an area that is measured from a performance perspective however the Chief Internal Auditor met with Member Support Services staff to discuss the general process for dealing with member queries logged in Members Casebook. This highlighted a large number of open queries which may suggest a performance issue however it may also suggest that more stringent protocols are required to close open queries which have been resolved. For the purposes of this exercise this has been classified as 'Yes' as it is not possible to properly assess it either way. However it has been noted as an issue and is to be considered by internal audit as part of an audit of Members Services which is already scheduled for 2018/19.	
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	Yes	If there are performance issues this would be an area where scrutiny could add value easily and quickly.	
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic member expectation that the revenue and/or capital budget will exceed £100k?	Yes	There is no specific budget for officer/member relationships however central governance, within which sits member services, has a total 2018/19 budget of £719k for 15.8 FTE. There are two members support officers who report to Leadership Support & Members Services Manager. In addition to staff costs there will be the costs associated with the time taken by officers dealing with member queries. On that basis it is considered reasonable to assume that the overall cost to the Council of dealing with officer/member relations would exceed £100k per annum.	
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	Yes	The 2018/19 internal audit plan includes a review of member services and also an audit of organisational culture. The issue of officer member relations will, to some extent, be picked up in the organisational culture audit and dealing with member queries will be considered as part of the member support audit. This was explained to the topic proposers by the Chief Internal Auditor and they were content with that approach being adopted.	
	Does the issue pass to stage 2 assessment?	Fail		

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Proposal Title	Live Argyll
Proposal Text	An item that I believe warrants scrutiny in the annual scrutiny plan is LiveArgyll / the LiveArgyll process. I have a copy of the LiveArgyll SLA which also raises a number of questions.

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TOPIC TITLE:		Live Argyll	
DATE OF SUBMISSION:		23 April 2018	

PRELIMINARY ASSESSMENT			
	QUESTION	RESPONSE	RESPONSE JUSTIFICATION
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	Live Argyll as an ALEO established in 2017 to deliver cultural and leisure services for the Council. It delivers these to all four wards and is therefore a council wide consideration.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	No	Live Argyll has only been in operation since October 2017 and it is considered too early to adequately assess whether it is performing well or poorly against expectations or targets. We not currently have a proper baseline against which to measure performance. The procedures in place for performance reporting will be considered as part of the 2018/19 governance audit referenced at question 5.
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	No	The judgement of the Chief Internal Auditor is that it is too soon in the 'life' of Live Argyll for scrutiny to make a meaningful impact on the performance of the ALEO. It is however recognised that this is a topic which should be kept in view and revisited as a potential area for scrutiny once more time has passed and the performance of Live Argyll can be better assessed. The answer to question 5 in this section is also pertinent.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	The Council's management fee to Live Argyll is £3.6m for 2018/19. The Council also provides a degree of IT and financial support as part of the service level agreement.
5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	Yes	The 2018/19 internal audit plan incorporates a review of Live Argyll's governance. Given it is in it's first year of operations this is deemed to be an appropriate use of audit resource to provide initial assurance that the ALEO is putting the appropriate governance arrangements in place, both to allow the body to manage it's affairs appropriately and also to ensure the Council can comply with the requirements of 'Following the Public pound'
	Does the issue pass to stage 2 assessment?	Fail	

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Proposal Title	Money Skills Argyll
Proposal Text	This project has caused much difficulty for the Council and the various Third Sector organisations are who signed up to it. The cost of the project would appear to be high relative to the gain and should a similar project be presented to the Council in the future we could draw on lessons learned from the Money Skills Argyll project.

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	TOPIC TITLE:		Money Skills Argyll Project (MSA)
	DATE OF SUBMISSION:		19 April 2018
	PRELIMINARY ASSESSMENT		
	QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
1	Does the issue affect a number of people living in Argyll and Bute across multiple wards or, if restricted to a single or small number of wards, would its scrutiny have a wider impact across the council?	Yes	The MSA project is council wide and therefore is available to all residents of Argyll & Bute who meet the criteria for support.
2	Does the issue concern an area of poor performance or an emerging issue (meaning there is no comprehensive performance data available)?	Yes	As per a paper to SMT in April 2018 performance against the project's 3 main key performance indicators continues to be poor. As at 31 March 2018 the average performance across all eight partners was as follows: -14.6% of the expected level of client engagement -8.26% of the expected target for 50% completion of client action plans -7.67% of 100% completion of client action plans
3	Can scrutiny add value - i.e. is performance likely to improve as a result of scrutiny?	Yes	Yes, discussion with key officers has identified a wide range of areas of concern regarding the delivery model, funding model, engagement with Scottish Government, Big Lottery Fund and delivery partners and concerns about the level of understanding of each of these constituent bodies key role in the project. Consequently, it is considered that a critical friend approach to the project could identify valuable lessons to be learned by the Council for entering into projects of a similar nature in the future.
4	Does the issue relate to a service area with a revenue and/or capital budget in excess of £100k or, in the case of an emerging issue, is there a realistic expectation that the revenue and/or capital budget will exceed £100k?	Yes	Whilst the Council is reimbursed for the costs associated with the MSA project via the Big Lottery Fund, it is still £3.75 million of public money being used to delivery services to vulnerable people. In addition to the actual funding received, there are additional costs to the Council due to the involvement of officers who have been tasked with managing the project and the issues arising from the project. For example, an LGE13 Officer who estimates that at least 35% of his time is spent managing the MSA project. Furthermore, the Council has incurred costs to employ an agency worker to assist in the project at approximately £15k.

5	Is the issue being addressed by another committee (area or strategic) or been subject to review in past 18 months?	No	Concerns around the performance, complexity and administration of the project and wider programme have been reported to the Strategic Management Team although no scrutiny work has been performed to the issues to date.
	Does the issue pass to stage 2 assessment?	Pass	
	QUESTION	**RESPONSE**	**RESPONSE JUSTIFICATION**
6	Is the scrutiny activity timely - i.e. will it be possible to implement changes at the current time?	Yes	There has been recent engagement between the Council, delivery partners and BLF in relation to the issues which are considered to be having a negative impact of the project's ability to succeed and also causing financial stress to the delivery partners. These discussions are considered to have been constructive providing optimism that recommendations for change would be considered by all relevant parties. Furthermore, lessons learned from the scrutiny review around the root cause for the issues that have been encountered will be valuable to ensure similar mistakes are not made for future projects of this nature.
7	Is there adequate resources in place to scrutinise the issue effectively?	Yes	The scrutiny work programme for 2018/19 is to be submitted to the June 2018 Audit and Scrutiny Committee. There are currently no reviews planned until such time as this programme is approved.
8	Is it an issue which has attracted public attention and/or highlighted by residents?	No	Whilst this is an issue that could have a negative impact on vulnerable public members it is not necessarily a topic that would feature greatly in public correspondence to the Council. However, it is considered likely that in the event of issues with the project resulting in one of the delivery partners ceasing to exist there would be a negative response from pockets of the community in a similar fashion to that experienced in the past in relation to addiction services.
9	Does it address an area highlighted by the Council's risk management process or other audit/scrutiny reports?	Yes	MSA features in the Chief Executives Unit operational risk register with the potential consequences associated with the risk being: 1. Unable to recover costs of services for which the Council has paid service suppliers. 2. Unable to maximise the benefit to the local population of the funding available. 3. Viability of the project is diminished. 4. Reputational damage to the Council and service partners.
	Stage 2 Assessment Outcome	Medium Priority	

TOPIC TITLE: Money Skills Argyll Project (MSA)
DATE OF SUBMISSION: 19 April 2018
STAGE 2 ASSESSMENT OUTCOME: Medium Priority

	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	> 10% under target	4	3	12	MSA does not feature on the Council's performance scorecard. However, we can assess the project performance against the project's own key performance indicators as detailed on question 2 on the preliminary filter stage. As at 31 March 2018 the average performance across all eight partners was as follows: -14.6% of the expected level of client engagement -8.26% of the expected target for 50% completion of client action plans, and -7.67% of 100% completion of client action plans Therefore it is clear that performance is greater than 10% under target.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Major contribution	4	3	12	One of the corporate outcomes is "People live active, healthier and independent lives". One of business outcomes associate with this corporate outcome is BO05 Information and support are available for everyone. Within the Strategic Finance 2018-2020 service plan there are three success measures associated with BO05 with all three of these relating specifically to MSA. These relate to levels of client engagements, number of clients with an agreed action plan and the number who complete their action plan. It is therefore clear that MSA, as a project, is making a major contribution to the delivery of an approved corporate outcome.
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Slight	1	2	2	As per question 8 in the preliminary filter whilst this is an issue which can have a material impact on the vulnerable people it is not necessarily a topic which would feature greatly in terms of public correspondence to the Council. A classification of 'Slight' has been awarded to reflect the fact that a major failure in the project is likely to result in a level of public correspondence in the similar manner in previous experience to addiction services.
4	What is the revenue and/or capital budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	As referenced in question 4 of the preliminary filter, the Council is reimbursed for the costs associated with the MSA project via the Big Lottery Fund. However, as it is a publically funded £3.75 million project, a decision has been taken to classify this as a greater than £1million project. This reflects the Council's wider responsibility to ensure best value is delivered through the use of public funds.
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Largely on budget	0	2	0	This is year 1 of the project therefore there is no historic budget data and furthermore funds are only released to pay service providers on the basis of actual service delivery. For this reason, it is not possible to assess performance against budget so a default position of 'largely on budget' has been selected.
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Not applicable	0	2	0	There is no legislation in place in relation to this topic which places any obligation on the Council to deliver the MSA project.

7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	The MSA project is council wide and therefore is available to all residents of Argyll & Bute who meet the criteria for support.
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - amber risk	3	3	9	MSA features in the Chief Executives Unit operational risk register with the potential consequences associated with the risk being: 1. Unable to recover costs of services for which the Council has paid service suppliers. 2. Unable to maximise the benefit to the local population of the funding available. 3. Viability of the project is diminished. 4. Reputational damage to the Council and service partners.

WEIGHTED TOTAL	**51**
HIGH / MEDIUM FACTOR	1
TOTAL SCORE	**51**

Agenda Item 14

ARGYLL AND BUTE COUNCIL	AUDIT AND SCRUTINY COMMITTEE
CHIEF EXECUTIVE	19 JUNE 2018

COUNCIL PERFORMANCE REPORT – OCTOBER TO MARCH 2018

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1. **SUMMARY**

   1.1   The Performance and Improvement Framework (PIF) sets out the process for presentation of the Council's performance reports. This paper presents the Council's performance report with associated scorecard for performance for FQ3 and FQ4 – October to March 2018.

   1.2   It is recommended that the Audit and Scrutiny Committee reviews the Council report and scorecard as presented for the purpose of scrutinising the Council's performance.

   1.3   It is recommended that the Audit and Scrutiny Committee note the changes made following the implementation of the PIF and the planned improvements for 2018/19.

   Cleland Sneddon
   Chief Executive

ARGYLL AND BUTE COUNCIL	AUDIT AND SCRUTINY COMMITTEE
CHIEF EXECUTIVE	19 JUNE 2018

COUNCIL PERFORMANCE REPORT – OCTOBER TO MARCH 2018

2. SUMMARY

2.1 The Performance and Improvement Framework (PIF) sets out the process for presentation of the Council's performance reports. This paper presents the Council's performance report with associated scorecard for performance for FQ3 and FQ4 – October to March 2018. It identifies the strategic Key Successes and Progress along with the Key Challenges and the Actions to address the Challenges.

3. RECOMMENDATIONS

3.1 It is recommended that the Audit and Scrutiny Committee reviews the Council report and scorecard as presented for the purposes of scrutinising the Council's performance.

3.2 The Audit and Scrutiny Committee are asked to note the changes following the implementation of the PIF and planned improvements for 2018/19.

4. CONTEXTUAL BACKGROUND – THE PIF

4.1 The Performance and Improvement Framework (PIF) was approved by Council in March 2017 and replaced the Planning and Performance Management Framework (PPMF). There was a need to simplify the range of plans currently produced, improve the quality of the Service Plans, the Service Planning process and address the short term nature of these plans. As a result changes were made to the processes and documentation regarding planning and reporting of our Performance and Improvements, with further improvements still to be implemented.

4.2 Previously, to help identify how the Corporate Outcomes were being delivered the Council used a suite of 63 Service Outcomes which were developed and owned by individual Heads of Service. As of the 2017/18 financial year a suite of 32 Business Outcomes owned and endorsed by SMT were developed and used.

4.3 The Business Outcomes now create a corporate overview, cutting across all Services and Departments. They help remove silo working and identify duplication and efficiencies. They also illustrate the 'golden thread' from the individual PRD (Performance Review and Development) to the ABOIP.

4.4 The format of the Service Plans also changed from one-year to three-year plans (noting that the budget is currently set for one-year).

4.5   The Service Plans are built in Pyramid and illustrated as Service Scorecards, which when combined form the Departmental and Council Scorecards. As a result each Corporate Outcome is supported by a number of Business Outcomes, which in turn are supported by any number of success measures from across the Council.

4.6   To further tie together linkages between successes, progress and challenges new performance reporting templates have been developed. These are Quarterly for Departments and 6-monthly for the Council and are in use from FQ3 2017/18 onwards. The new templates identify Successes; Progress; Challenges and Improvements. For Departments this is done by Business Outcome and for the Council by Corporate Outcome.

4.7   The content of the Quarterly and 6-monthly reports will enhance the performance information available in Pyramid. Any Improvement that is identified and noted on the reports will be built in Pyramid for monitoring and reporting.

        An evaluation exercise will be undertaken on the new Quarterly Performance Reports completed and submitted to the Strategic Committees to capture any improvements within the process. One such improvement is to identify and monitor the progress made on an Improvement or Challenges. Changes to the template will be ready for FQ1 2018/19 reporting.

        This self-evaluation is in line with our approach of applying continuous improvement to the PIF.

        The performance reports and Scorecard illustrations form a key element in our statutory Best Value Public Performance Reporting duties. After presentation at the Strategic Committees they are made public through the Website.

4.8   For the 2018/19 financial year it has been agreed that all success measures listed in the Service Plans and subsequently built in Pyramid should have commentary at every reporting period to help us 'tell our story'. This feature will need to be reviewed to ensure the commentary is adding value and not simply self-explanatory narrative. This consistent updating of commentary has already begun for the Area Committee reports.

4.9   A Continuous Improvement approach is applied to the PIF. The current report illustrates that Business Outcomes 7 and 8 currently have no success measures aligned to them. A more appropriate and balanced suite of 21 Business Outcomes is being developed. These align to the ABOIP, Corporate Plan and the Administration's Priorities. Once agreed HROD will work with Services and Departments with a view to improving the nature and number of success measures aligned to the Business Outcomes. This may result in an overall reduction of success measures but provide a clearer picture of the work, achievements and challenges through the use of more appropriate success measures. To allow time for this important piece of work to be undertaken the start of the Service Planning process is being brought forward to July 2018.

4.10   Whilst the success measures tell us if we are doing something well, it is important to identify if 'what' we are doing is making a difference to our communities. Work is well underway with Senior Managers and co-operation with other local authorities to identify and develop Impact Measures. The Impact Measures will be agreed and signed off by late spring 2018 following which they will be built in Pyramid.

5.0. CONTEXTUAL BACKGROUND – COUNCIL PERFORMANCE

5.1   The Council's performance is reported against a framework of ongoing activity across the Council and its services. During FQ3 and FQ4, the corporate focus continued on the progress of the Transformation Board activities, ensuring that preparations were in hand for the consultation process to begin on a series of transformational savings proposals, before consideration by members at the February 2018 budget. In the context of the quarterly budget outlook reports, the envisaged revenue budget gap was significant and so, in addition to the policy options being developed through the Transformation Board, a series of management and operational savings options were prepared for approval in October 2017.

5.2   In February 2018 the Corporate Plan 2018/2022 was approved. This sets out our Mission, Vision and Priorities for the next 4 years. It emphasises that we must transform how we work to deliver services our communities need against a backdrop of some considerable challenges. Embedded within the Corporate Plan are the new values which were developed by the Culture Steering Group. The new values of Committed, Creative, Caring and Collaborative (the 4Cs) will be actively promoted across the organisation.

Our Corporate Plan illustrates the Golden Thread from each Individual, through Teams, Services and Departments - everything aligns with the Argyll and Bute Outcome Improvement Plan (ABOIP) – to improve the Outcomes for our Communities.

5.3   Progress on a series of other transformational and income generating projects also continued to be progressed by the Transformation Board. Progress has also continued to be made on preparations for a Rural Deal bid, one of the important elements to the overall Council goal of increasing the population and strengthening the economy.

5.4   With agreement of the Scottish Government and in relation to the recent national review of enterprise agencies, the Council is in discussions with Highlands and Islands Enterprise (HIE) and Scottish Enterprise to explore all of Argyll and Bute coming under a single enterprise agency.   Currently the Helensburgh and Lomond Area is covered by Scottish Enterprise whilst the rest of Argyll and Bute is covered by HIE and it is deemed that a single enterprise agency would simplify the approach to our strategic objectives

whilst improving a holistic approach.

5.5   The UK Government is currently investing around £1bn in Faslane which will see all UK Submarine operations delivered from the Clyde by 2020. Badged as the 'Faslane Maritime Change Programme', joint efforts are continuing between the Royal Navy and Community Planning Partnership to maximise the social economic benefits to Argyll and Bute from this investment. An illustration of types of activity is actively influencing decisions on housing investment in the area to ensure a suitable future supply of the right type of housing is available for growing numbers of personnel, civilian workers, contractors and their families associated with the programme.

5.6   The Council continues to receive one year budget settlements from Scottish Government. The Council's Medium to Long Term Budget Strategy identified Transformation as one of the mechanisms to address the forecast budget gap A programme of budget reconstruction is being taken forward by the Transformation Board, with officers preparing template proposals which will be considered by members in August for consideration as part of the 2019/20 budget process.

5.7   During the fourth quarter of 2017/18, 13 new Rural Resettlement Fund Personal Relocation Grants were awarded. This brings the total to 69 at the end of March 2018 for both Personal Relocation Grants and self-employment grants since the fund started, with an associated allocation of funds of just under £340k. To the end of March 2018 this equates to 157 new residents, in the lifetime of the fund, of which 110 are adults and 47 are children.

5.8   With regards to school reconstruction programme, the £9m Kirn Primary and the £26m Campbeltown Grammar School were completed and handed over with Oban High School and Dunoon Primary school projects on track.

5.9   In relation to the ongoing regeneration work, strategic highlights are as follows;

   •   Oban Maritime Visitor Centre completed and handed over on 30 March 2018. Complimentary to the recent Oban berthing facility project, this completes the infrastructure required to   promote Oban as the primary marine tourism destination for the West of Scotland.

   •   Inveraray Conservation Area Scheme was completed at the end of March 2018 whilst the new Rothesay Townscape Heritage regeneration project was launched.

   •   The Full Business Case was approved for phase 1 of the Gleaner site at Ardrishaig and all external funding secured; this is in relation to the Lochgilphead and Tarbert Regeneration Programme.

   •   Infrastructure improvements to Kirk Rd/Lorn Rd, Dunbeg as part of the Lorn Arc commenced in the final quarter of 2017/18 following securing £1.93m of Scottish Government Grant funding. These works will enable the building of 300 new houses and phases 2 and 3 of the

European marine Science Park.

- The final funding element required for the ambitious £14m restoration of the Grade A Rothesay Pavilion was secured.

5.10   In partnership with the Local Government Improvement Service, Volunteer Scotland and Argyll and Bute Third Sector Interface, the Council delivered the National Volunteer Conference in February 2018 in Helensburgh which instigated a dialogue on how the public sector and citizens can collectively improve outcomes for our communities. A proposal for Argyll and Bute Council to grow volunteering emerged from the conference and will be presented to the Council for information.

5.11   The Councils scorecard illustrates progress against all 32 Business Outcomes. The progress is identified using the RAG (Red; Amber; Green) status to track performance. The 2 Business Outcomes with no success measures aligned have no RAG indication alongside them. Of the remaining Business Outcomes 9 are Green and 21 Amber.

5.12   Sickness Absence is above the target of 4.72 days with an actual performance of 5.97 days.

5.13   PRDs have a target of 90% with an actual performance of 54%. Late PRD submission records are being uploaded to pyramid, but this performance is particularly poor. PRDs are an important aspect of employee engagement and performance management. There is a wide variation in performance across services, with Adult Services performing poorly, but Customer Services performing well. Action will be put in place to address this throughout 2018/19 and is detailed in the accompanying performance narrative.

5.14   Stage 1 and Stage 2 Complaints are both above target at 82% and 90% respectively. Complaints are monitored on a regular basis by Departmental Management Teams through the departmental Complaints Co-ordinators.

5.15   There are 2 Audit Recommendations that are overdue. Overdue Audit recommendations are reported monthly by the Strategic Management Team and actions to complete them are recorded and allocated to the responsible officers.

5.16   Development and Infrastructure have 6 red risk assets. Detail on all of the red risk assets is contained in the Service and Group Asset Management Plans, which inform the prioritisation of budget allocation. These are overseen by the Asset Management Board, chaired by the Executive Director – Customer Services.

Cleland Sneddon
Chief Executive

Quarterly Performance Report for: **Argyll and Bute Council**	Period: **October to March 2018**

Key successes and progress

Corporate Outcome - People live active, healthier and independent lives
Business Outcome 5 - Information and support are available for everyone

1) Following a dip in communication outputs as a result of resourcing shortages, the Communications Team launched a new Instagram page in November 2017. It is now the most followed Local Authority in Scotland on Instagram with 1886 followers. This increases the Council's ability to communicate with communities, service users, members of the public and potential investors/visitors/businesses. Increased direct communications reach supports the Council's Corporate objective to grow the population and economy, by raising awareness of Argyll and Bute as a place people choose to live, learn, work and do business.

Corporate Outcome - Education, skills and training maximise opportunities for all
Business Outcomes 19 - All children and young people are supported to realise their potential.

1) Actions to address the challenges of the Education Scotland inspection were all implemented as part of an improved approach by the new Education Management Team as detailed in the previous performance report to Committee. Education Scotland have recognised that the engagement of central officers with schools has improved considerably over the last 12 months. The authority has made some positive progress in improving relationships and communication since the original inspection. Overall, the authority has made sound progress in improving the quality of leadership. There is now a clear vision for education, as outlined in the council's strategy document, Our Children Their Future. This vision takes good account of local priorities, including those in the council's Corporate Plan, and also key national priorities. Senior officers are more visible and central staff now have much stronger links with schools across the authority. A further visit is to take place in May 2018.

Corporate Outcome – Our Economy is diverse and thriving
Business Outcome 23 – Economic Growth Is Supported

1) The Economic Growth Team attended the BBC Good Food Show for the first time at the SECC in Glasgow to showcase Argyll and Bute food and drink businesses. The stand attracted more than 700 people with 9 Argyll and Bute Food and Drink businesses directly participating in the show with their products generating a lot of interest from show visitors. This is part of an ongoing marketing campaign to raise the profile of food and drink produced in Argyll and Bute, increase awareness of the area and its quality produce and support business growth by increasing market share.

Corporate Outcome - Our Infrastructure supports sustainable growth
   Business Outcome 15 – Argyll and Bute Is Open For Business
1) There has been a significant step change in the percentage of Argyll and Bute covered by the digital network with 86.8% of premises now connected to the fibre network in Argyll and Bute. Of this, 78.1% of premises can access speeds greater than 24Mbps. Digital connectivity is an important element of our infrastructure which underpins economic growth.

   Business Outcome 26 – People Have A Choice Of Suitable Housing
1) Seventy-Five affordable housing units have been completed in 2017/18 with the assistance of the Argyll and Bute Council Strategic Housing Fund (SHF). The SHF has contributed £900 000 towards the delivery of the 75 units which creates a greater choice of housing options across the local authority area and provides opportunities for people, particularly young people to continue to live and work in Argyll and Bute.
2) The Council was successful in achieving an award of £1.9m Housing Infrastructure Funding from the Scottish Government to enable the upgrade of Kirk Road, Dunbeg. This will in turn facilitate the delivery of 300 affordable houses in the area, again contributing to population retention and economic growth.

Corporate Outcome – Making It Happen (Enablers)
   Business Outcome 28 - Our processes and business procedures are efficient, cost effective and compliant
1) The Energy and Building Services Team successfully concluded and arranged the sign off of a Heat Supply Agreement for the Heat from Sewer Project at Aqualibrium. This project is now likely to be the first Heat from Sewer project to be delivered in Scotland that has been funded by the Scottish Government. The project will ultimately deliver annual revenue savings for the heating at Aqualibrium. The project also highlights the Council's ongoing approach to finding innovative solutions with partners and transforming the way that we operate.

Key challenges	Actions to address the challenges
The ongoing period of public sector budget constraint in terms of grant funding to the Council from Government continues to be a major issue for the Council. It remains a challenge to ensure that we are sufficiently resource to respond to the	A programme of budget reconstruction has been initiated and is being driven by the Transformation Board. This will present options for Council in achieving future savings.

increasing demand for high quality services. Changes to our population are causing growing pressures on housing, social care and other services, even though the actual numbers of people living in Argyll & Bute continues to decline, albeit at a lesser rate than previously projected.	The Transformation Board continues to investigate and implement innovative, transformational and income generating proposals to address the budget challenge.
Address Argyll and Bute's declining population, retaining people, particularly younger people in the area.	The Economic Development service continues to focus upon the opportunities for economic growth aligned to the four priorities outlined in Scotland's Economy Strategy – Investment; Innovation; Internationalisation and Inclusive Growth prioritised in the Council's Strategic Economic Development Action Plan as well as taking advantage of the opportunities that the Rural Resettlement Fund brings. The council continues to develop the Growing Our Own programme and develop more opportunities for young people to gain apprenticeships and traineeships in the Council. The positive profile of the Council as an employer of opportunity was raised in this respect as a result of attaining gold at the recent S1 Jobs awards in the Graduate and Apprentice category.
Address the challenges associated with recycling and waste treatment in the medium to longer term in view of the longer term financial risks and future landfill ban affecting this statutory service.	The Roads and Amenity Service is developing a new Waste Strategy based upon a 25 Year Waste Financial Model and continue to work with the community to improve and increase recycling performance.
Develop the Rural Deal to secure major investment from the UK Government in pursuit of economic growth.	Plans are progressing in the development of Argyll and Bute Council's Rural Deal. This is intended to be a comprehensive investment programme to boost economic and population growth. The Deal will continue to progress throughout 2018.
Convert managerial action on sickness absence into improved	HROD will continue to support managers in their efforts to

attendance performance essential to the delivery of services.	improve performance attendance, effectively apply the council's Maximising Attendance Policy and build upon the improved performance particularly in Education. An action plan will be put in place to act on the findings of the Wellbeing Survey. HROD is part of a national group investigating attendance across Councils in Scotland and exchanging best practice to improve outcomes.

Council Scorecard 2017-20

Argyll & Bute COUNCIL

Scorecard owned by: **Cleland Sneddon**   Oct-Mar 18

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

ABOIP Outcomes | Customer Services | Development & Infrastructure Services | Community Services | Priorities for 2015-17

Click here for Management Information

Making Argyll & Bute a place people choose to live

BO01 The health of our people is protected through effective partnership working
Success Measure — G →
Aligns to ABOIP Outcome No. 5

BO10 Quality of life is improved by managing risk
Success Measure — A →
Aligns to ABOIP Outcome No. 6

BO02 Lifelong participation in sport and physical activity are increased
Success Measure — A →
Aligns to ABOIP Outcome No. 5

BO11 There is no place for discrimination and inequality
Success Measure — G →
Aligns to ABOIP Outcome No. 6

BO03 Prevention and support reduces homelessness
Success Measure — A →
Aligns to ABOIP Outcome No. 5

BO12 High standards of public health and health protection are promoted
Success Measure — G ↑
Aligns to ABOIP Outcome No. 6

BO04 Benefits are paid promptly and accurately
Success Measure — A ↓
Aligns to ABOIP Outcome No. 5

BO13 Our built environment is safe and improved
Success Measure — G →
Aligns to ABOIP Outcome No. 6

BO05 Information and support are available for everyone
Success Measure — A →
Aligns to ABOIP Outcome No. 5

BO14 Our transport infrastructure is safe and fit for purpose
Success Measure — A →
Aligns to ABOIP Outcome No. 6

BO06 Quality culture, archives, libraries and museums are provided to promote wellbeing
Success Measure — A ↓
Aligns to ABOIP Outcome No. 6

BO16 We wholly embrace our Corporate Parenting responsibilities
Success Measure — A →
Aligns to ABOIP Outcome No. 4

BO07 Our communities benefit from the development of renewables
Success Measure
Aligns to ABOIP Outcome No. 6

BO17 The support needs of children and their families are met
Success Measure — A →
Aligns to ABOIP Outcome No. 4

BO08 The third sector has increased capacity to support sustainable communities
Success Measure
Aligns to ABOIP Outcome No. 6

BO18 Improved lifestyle choices are enabled
Success Measure — A →
Aligns to ABOIP Outcome No. 4

BO09 Our assets are safe, efficient and fit for purpose
Success Measure — A ↓
Aligns to ABOIP Outcome No. 6

BO33 Information and support are available for our communities
Success Measure — A ↑
Aligns to ABOIP Outcome No. 6

Making Argyll & Bute a place people choose to learn

BO19 All children and young people are supported to realise their potential
Success Measure — A →
Aligns to ABOIP Outcome No. 3

BO21 Our young people participate in post-16 learning, training or work
Success Measure — A →
Aligns to ABOIP Outcome No. 3

BO22 Adults are supported to realise their potential
Success Measure — G →
Aligns to ABOIP Outcome No. 3

Making Argyll & Bute a place people choose to work

BO15 Argyll and Bute is open for business
Success Measure — A →
Aligns to ABOIP Outcome No. 2

BO23 Economic growth is supported
Success Measure — A →
Aligns to ABOIP Outcome No. 1

BO24 Waste is disposed of sustainably
Success Measure — G →
Aligns to ABOIP Outcome No. 2

BO25 Access to and enjoyment of the natural and built environments is improved
Success Measure — G ↑
Aligns to ABOIP Outcome No. 2

BO26 People have a choice of suitable housing options
Success Measure — G →
Aligns to ABOIP Outcome No. 2

Making it happen

BO27 Infrastructure and assets are fit for purpose
Success Measure — A →
Aligns to Council Outcome MIH

BO28 Our processes and business procedures are efficient, cost effective and compliant
Success Measure — A →
Aligns to Council Outcome MIH

BO29 Health and safety is managed effectively
Success Measure — A →
Aligns to Council Outcome MIH

BO30 We engage with our customers, staff and partners
Success Measure — G ↑
Aligns to Council Outcome MIH

BO31 We have a culture of continuous improvement
Success Measure — A →
Aligns to Council Outcome MIH

BO32 Our workforce is supported to realise its potential
Success Measure — A ↓
Aligns to Council Outcome MIH

Council Scorecard 2017-20

Argyll Bute COUNCIL

Scorecard owned by: **Cleland Sneddon**   **Oct-Mar 18**

Management Information

RESOURCES

People

	Benchmark	Target	Actual	Status	Trend
Sickness Absence ABC		4.72 Days	5.97 Days	R	⬇
PRDs % complete ABC		90 %	54 %	R	⬇

Financial

		Budget	Forecast	Status	Trend
Finance Revenue totals ABC		£K 185,716	£K 184,953	A	⬇
Capital forecasts - current year ABC					
Capital forecasts - total project ABC					

Customer Relations

				Status	Trend
Customer Service ABC		Customer satisfaction	93 %	G	⬆
Customer Charter	G ➡	Stage 1 Complaints	82 %	G	⬆
Number of consultations	4	Stage 2 Complaints	90 %	G	⬆

IMPROVEMENT

Strategic Risks

Strategic Risk Register 2017-18		H = 2	M = 4	L = 3	
		Oct-Mar 18	Oct-Mar 18		
Risk - % exposure		40 %	40 %		⬆

		Overdue	Due in future	Future - off target
A&B Council Audit Recommendations	R	2 ➡	11 ⬇	0 ➡

Operational Risks

Community Services red risk assets	0			
Customer Services red risk assets	6	3	G	➡
Dev't & Infrastructure red risk assets	6	4	R	➡

Agenda Item 15

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

CUSTOMER SERVICES   **19 JUNE 2018**

LOCAL GOVERNMENT BENCHMARKING FRAMEWORK – ANALYSIS AND COMMENTARY

1.0   EXECUTIVE SUMMARY

1.1   This paper presents the final LGBF 2016/17 data for Argyll and Bute which includes 'Telling Our Story' and 'Looking Forward' commentary from Heads of Service.

1.2   It is recommended that the Audit and Scrutiny Committee (ASC) –

-     considers the contents of the report prior to publication as part of our statutory Public Performance Reporting duty

-     agrees to send the report to a members' seminar to raise awareness and to better enable members to carry out their scrutiny function.

-     Refers the relevant sections of the LGBF report to Strategic Committees to enable them to scrutinise and agree associated performance improvements.

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

CUSTOMER SERVICES   **19 JUNE 2018**

LOCAL GOVERNMENT BENCHMARKING FRAMEWORK (LGBF) 2016/17

ANALYSIS AND COMMENTARY

2.0   INTRODUCTION

2.1   This paper presents the final LGBF 2016/17 data for Argyll and Bute which includes 'Telling Our Story' and 'Looking Forward' commentary from Heads of Service.

3.0   RECOMMENDATIONS

It is recommended that the Audit and Scrutiny Committee:

3.1   Considers the contents of the report prior to publication as part of our statutory Public Performance Reporting duty

3.2   Agrees to send the report to a members' seminar to raise awareness and to better enable members to carry out their scrutiny function.

3.3   Refers the relevant sections of the LGBF report to Strategic Committees to enable them to scrutinise and agree associated performance improvements.

4.0   DETAIL

4.1   All Scottish Councils participate in the Local Government Benchmarking Framework (LGBF) which is managed and produced by the Improvement Service (IS). The purpose of the LGBF is to improve performance through Benchmarking and sharing good practice between councils.

4.2   The Framework consists of 94 indicators that are collected through various means during the year. For example directly to the IS, CIPFA, the Scottish Government or the Scottish Household Survey (SHS). Many of the indicators have data from 2010/11.

4.3   In the past the LGBF has been widely criticised for using measures that   many councils felt were not relevant, or the SHS size was too small a sample. Work is ongoing to improve and strengthen the measures to support a more strategic use of the LGBF and be more outcome focused.

4.4 The LGBF is a key element of our Performance and Improvement Framework (PIF). The PIF enables the Council to deliver its statutory duty to 'make arrangements to secure Best Value (continuous improvement in the performance of functions)' as required by the Local Government in Scotland Act 2003. The use of the LGBF is also a key element in the current round of Best Value3 audits.

4.5 Some of the indicators in the LGBF are used strategically in our Service Plans and Scorecards while others are used operationally for Benchmarking.

4.6 The LGBF uses a rank structure to illustrate performance, from 1st to 32nd with the Scotland average also shown. The rank structure should be used in context of the actual performance. For example our performance may have improved but our rank position has worsen – this is because other Councils have also improved.

   With this in mind, rather than simply analyse the data Heads of Service have added commentary that helps us 'Tell Our Story'. This also helps put into perspective some of the challenges and achievements that have occurred. The 'Looking Forward' section contains additional commentary by Heads of Service and explains any improvements that have been identified in the process.

   The report is presented in the same order as the LGBF data, namely –

   ➢ Education
   ➢ Children and Families
   ➢ Corporate Services
   ➢ Social Care
   ➢ Community and Culture
   ➢ Roads and Amenity
   ➢ Economic Development & Strategic Transportation
   ➢ Facility Services
   ➢ Planning & Regulatory Services

4.7 The final data is normally received at the end of March / early April each year. Since then the data has been analysed and is now presented in a more user friendly way. It should be noted that the base year differs for some indicators.

4.8 Points for noting –

   ➢ Any Identified Improvements will be added to the Services' Improvement Plan in Pyramid for future monitoring and reporting.

   ➢ Not all data is available. Where applicable the indicator is noted with DNA (Data Not Available). For these indicators the percentage calculation from base to last year and two most recent years has not been done.

   ➢ 'Looking Forward' commentary is outstanding but expected to be received shortly for Adult Care. Any commentary received prior to the ASC meeting will be included.

- ➢ Commentary is still outstanding from LiveArgyll, this is expected to be received prior to the ASC meeting. Presently the LiveArgyll 'Telling Our Story' commentary has been provided by HROD after analysing the data.

- ➢ Education attainment data is greyed out. Education have provided the Attainment data, but as yet this has not filtered through to the IS and in turn the LGBF.

- ➢ Some measures where appropriate have been pulled together as a basket of measures, such as the condition of roads network.

- ➢ There is no data for Housing Services.

4.9 Attached is a short list of notable indicators for reference.

4.10 The following table illustrates the Council's performance compared to Scotland averages and by quartile.

COMPARED TO THE SCOTTISH AVERAGE (WHERE DATA AVAILABLE)	
BETTER THAN AVERAGE	35 INDICATORS = 45%
SAME OR VERY SLIGHTLY WORSE	10 INDICATORS = 13%
WORSE THAN AVERAGE	32 INDICATORS = 42%
TOTAL	77 INDICATORS

PERFORMANCE OF INDICATORS BY QUARTILE (77 INDICATORS)			
QUARTILE 1 (1-8)	QUARTILE 2 (9-16)	QUARTILE 3 (17-24)	QUARTILE 4 (25-32)
12	20	19	26
PERCENTAGE PER QUARTILE			
15.6%	26.0%	24.7%	33.7%

4.11 This is a large piece of work with a desired outcome of improved performance engagement and scrutiny by Officers, Elected Members and the Public. Consideration for future presentation options will be taken forward during the course of 2018/19, i.e. whether to continue with the presented format or use Pyramid to illustrate our performance.

4.12 Many of the Improvements mentioned in Looking Forward are captured in the current Service Plans, either as success measures or improvements. Other Improvements that are noted in Looking Forward will be identified and built in

Pyramid.

4.13   The IS are holding a series of Learning and Benchmarking events throughout the year. The purpose of these is to work with councils to further improve the appropriateness of the indicators. These are attended as often as possible however, the timing and location is sometimes a barrier. We are fortunate that Executive Director Pippa Milne is a member of the Board of the LGBF, this will support our engagement going forward.

5.0   CONCLUSION

5.1   The ASC considers the contents of the report prior to publication and agrees to send the report to a members' seminar to raise awareness and to better enable members to carry out their scrutiny function.

6.0   IMPLICATIONS

6.1	Policy	None
6.2	Financial	None
6.3	Legal	Publication forms part of our statutory Public Performance Reporting duty
6.4	HR	None
6.5	Equalities	None
6.6	Risk	Engaging with the LGBF is an area of interest for the upcoming BV3 audit.
6.7	Customer Service	None

Douglas Hendry, Executive Director - Customer Services
8 June 2018

For further information contact: Jane Fowler, Head of Improvement and HR

Appendices
Appendix 1 – LGBF Presentation.
Appendix 2 – Notable Indicators.

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LOCAL GOVERNMENT BENCHMARKING FRAMEWORK (LGBF) 2016/17

Telling our story and Looking Forward

Analysis of the LGBF 2016/17 data with commentary from Heads of Service

Contents – List of indicators

4

INTRODUCTION AND KEY TO SYMBOLS

⬇⬆ **An improvement in performance – the arrow indicates the direction of travel**

⬇⬆ **A reduction in performance – the arrow indicates the direction of travel**

⬇⬆ **The performance itself isn't being measured – simply a fact i.e. 'how much is being spent'**

➜ **No difference in position since last reporting period**

POINTS TO CONSIDER

- **When data is taken from surveys the timing and demographic will affect the survey result.**
- **Some work needs to be done to look at the impact that demographic profiles and trends have on the indicators in different areas. These can affect the costs of providing a service, and may complement or offset any efficiencies that are made.**
- **Would be worth looking at / noting where Service Choices has already had an impact on some of these indicators, as well as where the transformation programme is likely to have an impact in the future.**

Abbreviations –
- **MYE – Mid-Year Estimates**
- **SIMD – Scottish Index of Multiple Deprivation**
- **SDS – Self-Directed Support**
- **LFR – Local Finance Return**
- **SHS – Scottish Household Survey**

Data not available / confirmed for –

- **CHN13;14;15;16 – Percentage of Children achieving expected levels in Reading, Writing, Listening and Talking; Numeracy**
- **CHN17 - Percentage of Children Meeting Developmental Milestones**
- **CHN19b - School Attendance Rates (LAC)**
- **CHN20b - School Exclusion Rates (LAC)**
- **CHN23 - % LAC with more than 1 placement in the last year (Aug-July)**
- **CORP 2 - Cost of Democratic Core per 1,000 population**
- **SW4a -Percentage of adults receiving any care or support who rate it as excellent or good.**
- **SW4b - Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life**

EDUCATION

SERVICE: EDUCATION	

INDICATOR REF: CHN1 - Cost per primary school pupil

ABC RANK POSITION: 29th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
£5,775.4 ↑	**£4,804.0** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.00% ↑	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.51% ↓
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -10.22% ↓	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -9.55% ↓

TELLING OUR STORY:

Scotland wide has an increase of 5,550 pupils while Argyll and Bute has a reduction of 1.

If the 2016/17 cost was calculated against the 2015/16 pupil roll the Cost per primary school pupil for Scotland would show an increase of .98% with Argyll and Bute showing increase of 1.0%.

As a lot of these costs are fixed the change isn't that Argyll and Bute is proportionally getting more expensive it's more to do with the demographic change in the Scotland wide / Argyll and Bute population.

LOOKING FORWARD:

The Education Service is identifying opportunities for cluster working to allow full use of the budget available within a geographical Area. This will provide greater equity for all pupils. The shared Headship model is also being looked at to ensure there is best value and that schools can share resources including staff.

SERVICE: EDUCATION

INDICATOR REF: CHN2 - Cost per secondary school pupil

ABC RANK POSITION: 29th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➜
ARGYLL AND BUTE	**SCOTLAND**
£8,433.1 🔺	**£6,816.5 🔻**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.44%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.51%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 5.85%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -3.07%

TELLING OUR STORY:

Scotland wide has seen a decrease in the number of secondary pupils of 947 against a reduction in Argyll and Bute of 132. The Scotland cost per pupil has decreased by 0.39% with a reduction in gross expenditure of .73%. The Argyll and Bute cost per pupil has increased by 2.44% but the gross expenditure has decreased by .48%.

Again, a lot of the costs are fixed.

LOOKING FORWARD:

Secondary school rolls have decreased and this has provided greater challenge especially in some of the smaller secondary schools to provide a wide curriculum. Planning is in place to look at the curriculum being offered in each secondary school and to the feasibility of a cluster model delivery of some subjects via learning technologies. This would provide greater efficiencies both with staff and timetabling.

SERVICE: EDUCATION

INDICATOR REF: CHN3 - Cost per Pre-School Education Registration

ABC RANK POSITION: 23rd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£4,907.8 ⬇	**£4,206.8 ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.70%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 8.11%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.13%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.47%

TELLING OUR STORY:

The Scotland costs have increased by 7.11% where ours have decreased by .70%. This could be due to the decrease in Scotland places by 301 and an increase in Argyll and Bute places by 33. Our change in rank has increased from 29th in 2015/16 to 23rd in 2016/17.

Again, as a lot of the costs are fixed the change is linked with demographics more than efficiency.

LOOKING FORWARD:

This is an area which will be a focus during the National expansion of Early Learning and Childcare (ELC) to 1140 hours in 2020. Currently a delivery plan is being formulated around the expansion of ELC within Argyll & Bute. This expansion programme will be delivered in partnership with partner providers and childminders. This is a major expansion programme which will require significant financial support from Scottish Government.

SERVICE: EDUCATION

INDICATOR REF: CHN4 -% of Pupils Gaining 5+ Awards at Level 5

ABC RANK POSITION: 11th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↑
ARGYLL AND BUTE	**SCOTLAND**
62% ↑	**60%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 5.08%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.69%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 8.77%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 17.65%

TELLING OUR STORY:

Both Scotland and Argyll and Bute show increases, but Argyll and Bute exceeds the Scotland figures for 5+ awards at both level 5&6. Nationally Argyll and Bute is joint 11th, a ranking improvement on 2015/16 of 3.

LOOKING FORWARD:

Continue to improve access to accredited qualifications and to improve the quality and standard of passes at level 5.

SERVICE: EDUCATION

INDICATOR REF: CHN5 -% of Pupils Gaining 5+ Awards at Level 6

ABC RANK POSITION: 11th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: →
ARGYLL AND BUTE	**SCOTLAND**
35% ↑	**34% ↑**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.94%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.03%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 29.63%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 30.77%

TELLING OUR STORY:

Both Scotland and Argyll and Bute show increases, but Argyll and Bute exceeds the Scotland figures for 5+ awards at both level 5&6.

LOOKING FORWARD:

Continue to improve access to accredited qualifications and to improve the quality and standard of passes at level 6.

SERVICE: EDUCATION

INDICATOR REF: CHN6 - % of Pupils from Deprived Areas Gaining 5+ Awards at Level 5 (SIMD)

ABC RANK POSITION: 10th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
43% ⬆	**41% ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 34.38%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.50%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 43.33%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 41.38%

TELLING OUR STORY:

Argyll and Bute has an increase of 34.38% whereas Scotland has an increase of 5.13%

The %age of pupils has improved from 32% in 2015/16 to 43% in 2016/17.

This tool doesn't provide us with pupil number data so we can't give a clearer comparison. Rank-wise we have increased from 27th to 11th out of 29 Councils.

There is no data for island councils as they have no SIMD areas.

LOOKING FORWARD:

The National Pupil Equity Funding programme will provide support to schools in looking at this area.

SERVICE: EDUCATION

INDICATOR REF: CHN7 - % of Pupils from Deprived Areas Gaining 5+ Awards at Level 6 (SIMD)

ABC RANK POSITION: 14th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
15% ➔	**16% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.00%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 6.67%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 114.29%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 60.00%

TELLING OUR STORY:

There has been no change in the percentage at 15% but a drop in rank of 1 point.
Again, no pupil number data so cannot give a clearer comparison and there is no data for island councils as they have no SIMD areas.

LOOKING FORWARD:

The National Pupil Equity Funding programme will provide support to schools in looking at this area.

SERVICE: EDUCATION

INDICATOR REF: CHN10 - % of Adults Satisfied with Local Schools

ABC RANK POSITION: 17th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
79.7% ⬇	**75.3%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.27%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.35%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.84%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -12.15%

TELLING OUR STORY:
This data is gathered from the SHS and the periods are 2013-16 and 2014-17.
Argyll and Bute has seen a decrease of 1.33% to 79.67% with Scotland seeing a decrease of 2.67% to 75.33%.
Argyll and Bute rank has increased by 1 from 18th in 2015/16.

LOOKING FORWARD:
A Parental Engagement Policy and programme for roll-out across Argyll & Bute is being developed for roll-out in session 2018/19. A Parental Conference is being held on 2nd June 2018 to launch this important development area.

SERVICE: EDUCATION

INDICATOR REF: CHN11 - Proportion of Pupils Entering Positive Destinations

ABC RANK POSITION: 9th Equal	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
94.70% ⬆	**93.70%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.94%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: .43%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.76%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.00%

TELLING OUR STORY:

Argyll and Bute has a 1.8% increase of pupils entering positive destinations with an increase in rank from 20th to 10th. Scotland has seen an increase of .4%.

The percentage of Argyll and Bute leavers that are unemployed and seeking employment or training decreased from 4% in 15/16 to 3 per cent in 16/17.

LOOKING FORWARD:

Work closely with Schools and SDS colleagues using the Risk Matrix to identify at an early stage young people who may be at risk of not entering positive destination and offer appropriate additional support where required. Continue to work with closely with partners from Opportunities for All groups to engage with our young people who are unemployed and seeking and those who are unemployed and not seeking   to offer opportunities for progression into further learning, employment or training and where appropriate volunteering.

SERVICE: EDUCATION

INDICATOR REF: CHN12a - Overall Average Total Tariff

ABC RANK POSITION: 16th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
890.7 ⬆	**886.2** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.39%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.06%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 5.81%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.13%

TELLING OUR STORY:

Argyll and Bute has an increase of 3.87% making a total tariff score of 890.73 compared to Scotland wide which has an increase of 1.25% making a total tariff score of 886.17.

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION

INDICATOR REF: CHN12b - Average Total Tariff SIMD Quintile 1

ABC RANK POSITION: 15th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
620.0 ⬆	**624.0 ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 11.11%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.50%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 20.62%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 30.50%

TELLING OUR STORY:

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION

INDICATOR REF: CHN12c - Average Total Tariff SIMD Quintile 2

ABC RANK POSITION: 15th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
760.0 ⬆	**750.0 ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.83%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.4%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.51%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 21.4%

TELLING OUR STORY:

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION

INDICATOR REF: CHN12d - Average Total Tariff SIMD Quintile 3

ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➜
ARGYLL AND BUTE	**SCOTLAND**
875.0 ⬆	**880.0** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.51%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.90%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 6.97%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.90%

TELLING OUR STORY:

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION

INDICATOR REF: CHN12e - Average Total Tariff SIMD Quintile 4

ABC RANK POSITION: 18th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
968.0 ⬆	**999.0 ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.04%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: .10%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.02%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.90%

TELLING OUR STORY:

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION

INDICATOR REF: CHN12f - Average Total Tariff SIMD Quintile 5

ABC RANK POSITION: 19th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
1137.0 ⬇	**1207.0** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.96%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: .92%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -.96%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.63%

TELLING OUR STORY:

We have increased in all Quintiles except Quintile 5 which has a -0.18% decrease. Quintile 1 has the largest increase of 11.31%.
We have exceeded Scotland wide data in all Quintiles except 3 and 5. Some of these Quintiles for Argyll and Bute will have very small data sets.

LOOKING FORWARD:

Additional funding has been allocated directly to schools through the Pupil Equity Funding Programme and is targeted at closing the poverty related attainment gap.

SERVICE: EDUCATION	

INDICATOR REF: CHN13a - Percentage of pupils achieving expected levels in Reading P1

ABC RANK POSITION: 6th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
84 ⬆	80 ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:

In June 2017, the Education Service participated in the second year of the Teacher Judgement Survey where the achievement of Curriculum for Excellence levels were gathered Nationally across the four organisers of Reading, Writing, Listening and Talking and Numeracy at the stages of P1, P4, P7 and S3. The 2017 Evidence Report details the National picture of the percentage of P1, P4, P7 and S3 pupils who are achieving the expected CfE Level relevant for their stage in Literacy and Numeracy.

LOOKING FORWARD:

The authority guidance on early literacy has been rewritten and 12 schools piloted the new approach in 2017-2018. This will be rolled out to all schools 2018-2019.Engagement with national events and the development of authority moderation events will help to support teacher judgement. Work with the Northern Alliance emerging literacy work stream further supports the development of phonological awareness and early reading skills.

SERVICE: EDUCATION	

INDICATOR REF: CHN13b - Percentage of pupils achieving expected levels in Reading P4	
ABC RANK POSITION: 13th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
77 ⬆	**77** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY: Please see CHN13a	
LOOKING FORWARD: Schools will continue to be supported with resources and training to support approaches to reading and creating literacy rich environments. Engagement with national events and the development of authority moderation events will help to support teacher judgement.	

SERVICE: EDUCATION	

INDICATOR REF: CHN13c - Percentage of pupils achieving expected levels in Reading P7	
ABC RANK POSITION: 17ᵗʰ	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ↓
ARGYLL AND BUTE	**SCOTLAND**
75 →	**76** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY: Please see CHN13a	
LOOKING FORWARD: Schools will continue to be supported with resources and training to support approaches to reading and creating literacy rich environments. Engagement with national events and the development of authority moderation events will help to support teacher judgement. NIF data for 2018 will be analysed to see whether a downward trend is emerging and, if so, targeted support will be developed.	

SERVICE: EDUCATION	

INDICATOR REF: CHN14a - Percentage of pupils achieving expected levels in Writing P1

ABC RANK POSITION: 10th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: →
ARGYLL AND BUTE	**SCOTLAND**
80 →	**77** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
Please see CHN13a

LOOKING FORWARD:
The authority guidance on early literacy has been rewritten and 12 schools piloted the new approach in 2017-2018. This will be rolled out to all schools 2018-2019.Engagement with national events and the development of authority moderation events will help to support teacher judgement. Work with the Northern Alliance emerging literacy work stream further supports the development of pre handwriting skills and concepts of print.

SERVICE: EDUCATION	

INDICATOR REF: CHN14b - Percentage of pupils achieving expected levels in Writing P4	
ABC RANK POSITION: 16th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	SCOTLAND
70 ⬆	71 ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY: Please see CHN13a	
LOOKING FORWARD: Schools will continue to be supported with resources and training to support approaches to writing and creating literacy rich environments. The development of new guidance on writing and training to support this has already begun and is a priority for 208-2019. Engagement with national events and the development of authority moderation events will help to support teacher judgement.	

SERVICE: EDUCATION	

INDICATOR REF: CHN14c - Percentage of pupils achieving expected levels in Writing P7

ABC RANK POSITION: 17th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
67 ⬇	69 ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
 Please see CHN13a

LOOKING FORWARD:
Schools will continue to be supported with resources and training to support approaches to writing and creating literacy rich environments. The development of new guidance on writing and training to support this has already begun and is a priority for 2018-2019. Engagement with national events and the development of authority moderation events will help to support teacher judgement.

SERVICE: EDUCATION	

INDICATOR REF: CHN15a - Percentage of pupils achieving expected levels in Listening and Talking P1

ABC RANK POSITION: 5th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
89 ⬆	85 ➡
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
Please see CHN13a

LOOKING FORWARD:
The authority guidance on early literacy has been rewritten and 12 schools piloted the new approach in 2017-2018. This will be rolled out to all schools 2018-2019. Work with the Northern Alliance emerging literacy work stream further supports the development of oral language.

SERVICE: EDUCATION	
INDICATOR REF: CHN15b - Percentage of pupils achieving expected levels in Listening and Talking P4	
ABC RANK POSITION: 19th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
82 ⬆	**83** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY: Please see CHN13a	
LOOKING FORWARD: Schools will continue to be supported with resources and training to support approaches to listening and talking. Talking is a skill that is being emphasised as part of ongoing development of writing guidance.	

SERVICE: EDUCATION	
INDICATOR REF: CHN15c - Percentage of pupils achieving expected levels in Listening and Talking P7	
ABC RANK POSITION: 16th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ⬇
ARGYLL AND BUTE	**SCOTLAND**
81 ⬆	**81** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY: Please see CHN13a	
LOOKING FORWARD: Schools will continue to be supported with resources and training to support approaches to listening and talking. Talking is a skill that is being emphasised as part of ongoing development of writing guidance. NIF data for 2018 will be analysed to see whether a downward trend is emerging and, if so, targeted support will be developed.	

SERVICE: EDUCATION

INDICATOR REF: CHN16a - Percentage of pupils achieving expected levels in Numeracy P1

ABC RANK POSITION: 7th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➔
ARGYLL AND BUTE	**SCOTLAND**
85% ➔	**83%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
 Please see CHN13a

Work being done in the authority including the Primary 1 SEAL pilot and Number Talks training will continue to support a high percentage of pupils achieving the expected levels in Numeracy at Primary 1 and reduce maths anxiety. In addition practitioners across the authority are engaging with national moderation events through the QAMSO programme, and also with the authority moderation programme which has been developed this session, both of which will help to support teacher professional judgements. Also guidance is to be published to support all practitioners working at Early Level on key foundations of developing number sense.

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SERVICE: EDUCATION	

INDICATOR REF: CHN16b - Percentage of pupils achieving expected levels in Numeracy P4	
ABC RANK POSITION: 12th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ↑
ARGYLL AND BUTE	**SCOTLAND**
73 % ↑	**75 %** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
 Please see CHN13a

LOOKING FORWARD:
Work being done in the authority including Number Talks training and the use of concrete materials will continue to support practitioners as they work with pupils and reduce maths anxiety. In addition practitioners across the authority are engaging with national moderation events through the QAMSO programme, and also with the authority moderation programme which has been developed this session, both of which will help to support teacher professional judgements. Work with the Northern Alliance Regional Collaborative will also provide quality teacher CLPL to support pupils working at 1st Level. In addition SALi (Sharing Argyll Learning Ideas) will continue to provide CLPL and resources for all teachers in Argyll and Bute.

SERVICE: EDUCATION

INDICATOR REF: CHN16c - Percentage of pupils achieving expected levels in Numeracy P7

ABC RANK POSITION: 10th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↑
ARGYLL AND BUTE	**SCOTLAND**
68% ↑	**70%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:
 Please see CHN13a

LOOKING FORWARD:
Work being done in the authority including Number Talks training and the use of concrete materials will continue to support practitioners as they work with pupils and reduce maths anxiety. In addition practitioners across the authority are engaging with national moderation events through the QAMSO programme, and also with the authority moderation programme which has been developed this session, both of which will help to support teacher professional judgements. Work is also being done at authority level to enhance transition between P7/S1. In addition SALi (Sharing Argyll Learning Ideas) will continue to provide CLPL and resources for all teachers in Argyll and Bute.

SERVICE: EDUCATION	
INDICATOR REF: CHN17 - % of Children Meeting Developmental Milestones - DNA	
ABC RANK POSITION:	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:**
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY:	
LOOKING FORWARD:	

SERVICE: EDUCATION

INDICATOR REF: CHN18 - Quality Ratings for Children's Provision

ABC RANK POSITION: 27th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
86.5% ⬇	**91.7% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -5.51%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.26%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 11.92%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 5.21%

TELLING OUR STORY:

This is Quality Ratings of early year provision only.

There is no information on how this data is collected or the sample numbers.

This is produced by the Care Inspectorate specifically for the LGBF.

LOOKING FORWARD:

SERVICE: EDUCATION

INDICATOR REF: CHN19a - School Attendance Rates

ABC RANK POSITION: 12th Equal	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
93.7% ↓	**93.3%** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.53%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.43%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.00%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: .21%

TELLING OUR STORY:

Primary
Overall attendance for primary aged pupils in Argyll and Bute and nationally is increasing slightly. The average total absence from school for all primary age children is 4.48% and for looked after children is 4.92%. No primary age looked after children were excluded from primary school last session.

Secondary
The average total absence from school for all secondary age children is 8.20% and for looked after children is 14.52%. Further analysis demonstrates that this average figure is inflated by a smaller number of young people who have a significant difficulty with school attendance. Exclusions openings account for 0.07% of the absences for looked after children, with the overall secondary school population figure for exclusion being 0.04%. There requires to be a continued focus on ensuring children and young people at the secondary stage are meaningfully engaged with the life of the school and sustain positive.

There are a number of looked after pupils who have extremely high rates of absence including one pupil who did not attend at all during 2016-2017 session.

LOOKING FORWARD:

SERVICE: EDUCATION

INDICATOR REF: CHN19b - School Attendance Rates (LAC) - DNA

ABC RANK POSITION:	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:

Primary
Overall attendance for primary aged pupils in Argyll and Bute and nationally is increasing slightly. The average total absence from school for all primary age children is 4.48% and for looked after children is 4.92%. No primary age looked after children were excluded from primary school last session.

Secondary
The average total absence from school for all secondary age children is 8.20% and for looked after children is 14.52%. Further analysis demonstrates that this average figure is inflated by a smaller number of young people who have a significant difficulty with school attendance. Exclusions openings account for 0.07% of the absences for looked after children, with the overall secondary school population figure for exclusion being 0.04%. There requires to be a continued focus on ensuring children and young people at the secondary stage are meaningfully engaged with the life of the school and sustain positive.

There are a number of looked after pupils who have extremely high rates of absence including one pupil who did not attend at all during 2016-2017 session.

LOOKING FORWARD:

SERVICE: EDUCATION

INDICATOR REF: CHN20a - School Exclusion Rates – per 1,000 pupils

ABC RANK POSITION: 6th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
15.79 ⬇	**26.84** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -23.36%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.32%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -53.59%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -32.90%

TELLING OUR STORY:
 Argyll and Bute has an increase of 4.81 and an increase in rank from 13th to 6th. Scotland has an increase of .36.

LOOKING FORWARD:

SERVICE: EDUCATION

INDICATOR REF: CHN20b - School Exclusion Rates (LAC) - DNA

ABC RANK POSITION:	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:

For the past two full school sessions looked after pupils account for between 9-10% of the total number of pupils excluded. The cohort of 202 looked after pupils in session 2015-2016 forms just 2% of the overall school population of 10,445.

For looked after pupils the number of days absent due to exclusion reduced by over 40% from session 2014-2015 to 2015-2016. This compares to a 33% reduction for the whole school population. The number of looked after pupils being excluded reduced by 21% compared to a 30% reduction for the whole school population.

There is a downward trend for all pupils over the past two full school sessions with Exclusion Incidents per 1000 pupils reducing from 20.53 to 15.08 is session 2015-2016. This is below the national average which was reported as 27.2 in session 2014-2015. Figures obtained from the Summary Statistics for Schools No.6 2015 Edition.

This correlates with the introduction of the revised Exclusion policy.

LOOKING FORWARD:

Continue to work with schools and Children and Families to maintain a downward trend and to reduce exclusions. Case studies of good practice will be shared and schools will focus on this area of development.

SERVICE: EDUCATION

INDICATOR REF: CHN21 - Participation Rates for 16-19 year olds

ABC RANK POSITION: 11th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
93.0% ↓	**91.1%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.27%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: .77%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.27%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: .77%

TELLING OUR STORY:

There is just 2 years data for this measure.
Argyll and Bute is performing better than national average in all measures.
There has been a 1.6% drop in the number of young people in education (57 young people).
An increase of 1% in the number of young people going straight into employment (36 young people.)
There has been a 1.2 % drop in the percentage of young people aged 16 to 19 participating in education, training, employment.

The 2017 Annual Participation Measure Report shows a 1.2% fall in 16 to 19 year olds participating in education, training or employment to 93%. There is also a 1.5% increase in young people in the unconfirmed status cohort to 4.2%. Further analysis with SDS has highlighted that a group of 33 young people enrolled in a dance school in Oban have been included in the Argyll and Bute return but listed as unconfirmed. Discussions are ongoing with SDS to either remove this group or recognise that they are in a positive destination.

LOOKING FORWARD:

Continue to explore ways of reducing the % of young people recorded as unconfirmed.

CHILDREN AND FAMILIES

SERVICE: CHILDREN & FAMILIES	

INDICATOR REF: CHN8a - The Gross Cost of "Children Looked After" in residential based services per child per week

ABC RANK POSITION: 3rd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↑
ARGYLL AND BUTE	**SCOTLAND**
£2,259.6 ↓	**£3,404.3** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -12.65%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -2.25%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -15.30%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 10.13%

TELLING OUR STORY:

Argyll and Bute has seen a decrease of £270.19 per Child per Week with the rank improving from 6th in the previous year. The Scotland wide figure has decreased by £1.49.

2017 saw the opening of a brand new, purpose built Children's Residential House in Dunoon, to replace an older building. This marks a considerable investment in our residential services for children and young people. We can offer 18 places for children and young people up to the age of 21, across 3 residential houses. It is our objective to keep as many children as possible close to their own communities and families. We think that, where possible, education and care should be happening close to home where ties can be maintained and strengthened.

LOOKING FORWARD:

It is our objective to retain the scores of very good (5), across the board, that are currently received by all three of our residential houses for children and young people. In addition we hope in 2018, to increase the breadth and flexibility of our provision by adopting a Core and Cluster Model. This will allow the houses to also manage flats and other accommodation in their locality. This will be used for a variety of purposes including: move on for Care Leavers; crisis intervention to prevent reception into care; respite and mother and baby assessment. To ensure the first 2 objectives, we intend to focus on staff training and development in the coming year. Skilled and confident employees are seen as our biggest asset.

SERVICE: CHILDREN & FAMILIES

INDICATOR REF: CHN8b - The Gross Cost of "Children Looked After" in a community setting per child per week

ABC RANK POSITION: 12th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£235.8 ⬇	**£312.7** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -15.61%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.89%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 72.42%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 38.85%

TELLING OUR STORY:

Argyll and Bute has seen a decrease of £37.47 per Child per Week with the rank improving from 16th in the previous year. The Scotland wide figure has increased by £21.16.

We look to care for our children and meet their needs, in an efficient and cost effective manner, which demonstrates good stewardship. We are mindful of the wider needs of children and young people and look to engage them in sports and activities that can be carried on throughout their lives and impact positively on their mental and physical health. We look to view the costs of "Children Looked After" in a holistic way that ensures that all aspects of their lives are positive and assured.

LOOKING FORWARD:

We intend to develop our Fostering and Adoption Services further by recruiting Foster Carers who are able to manage older and more challenging children and young people. Training is seen as a key element in this strategy. In addition we are encouraging and supporting Kinship Carers and wish to keep as many of our looked after children as possible in family and community based placements. We are working to develop our Community Justice agenda and ensure appropriate supports and diversionary opportunities for young people involved in offending. We have developed an Anti-Poverty Strategy that will ensure a coordinated approach to addressing the needs of our children, young people and families experiencing poverty and deprivation.

SERVICE: CHILDREN & FAMILIES

INDICATOR REF: CHN9 - Balance of Care for looked after children: % of children being looked after in the community

ABC RANK POSITION: 21st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
87.43% ⬇	**89.87%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.34%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.54%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 1.31%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.24%

TELLING OUR STORY:

Argyll and Bute has seen a decrease of .30% in the balance of care with the rank decreasing by 1 place from 20th to 21st. The Scotland figure has decreased by .49%

We have an Alternative to Care Team that looks to work closely with children and young people to prevent crisis and reception into care. We also employ an Early and Effective Intervention approach, involving SCRA, the Police, Health, education, community Justice and Social Work. This tries to ensure that issues are dealt with quickly and at a lower level, to ensure that the need for referral to the Reporter, further Police involvement, receptions into care etc. are less likely. When we do require to accommodate a child or young person, we have an effective Foster Care Service and this, along with Kinship Care, is considered prior to the use of residential care. We have an agreed multi-agency policy that states that looked after children must not be excluded from School without agreement and discussion at Head of Service level.

LOOKING FORWARD:

We will continue to develop our Foster Carers and invest in recruitment in this area. We intend to try and develop further placements for older, harder to place young people. In addition we are encouraging and supporting Kinship Carers and wish to keep as many of our looked after children as possible in family and community based placements. We will develop the use of a "Core and Cluster" model, alongside our residential houses, to both prevent reception into care and ensure early and effective exits from residential care. The Health and Social Care Partnership will ensure that community care and health work together effectively to meet the needs of our children and young people, both in residential and Foster and Kinship. We are currently making changes to our CAMH's service to ensure faster response times for children with trauma or mental health issues.

SERVICE: CHILDREN & FAMILIES

INDICATOR REF: CHN22 – %age of child protection re-registrations within 18 months

ABC RANK POSITION: 28th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: 🔻
ARGYLL AND BUTE	**SCOTLAND**
9.59% 🔽	**6.46%** 🔺
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -99.12%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -98.95%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -98.83%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -99.00%

TELLING OUR STORY:

Argyll and Bute has seen a decrease of 1.35%. The rank position has increased by 1 from 27th in the previous year. The Scotland figure has increased by .29%.

Our Care Assessment and Reviewing Officers work closely with Social Workers and Area Teams to ensure that Child Protection Case Conferences are effective and reach the right decisions in terms of registration and re-registration. We ensure that Core Groups engage all professionals and families and work together to resolve the issues that led to registration. The Health and Social Care Partnership works together to identify and provide the services required to assist children, young people and families where there are issues of child protection.

LOOKING FORWARD:

A number of service reviews and re-designs will take place across health and community care services, in order to ensure joined up, effective service provision in the area of child care and child protection. We will look to increase the percentage of pre-birth antenatal planning meetings for vulnerable women by 28 weeks gestation. We will also ensure that all parents of 3, 4 and 5 year olds have access to Parenting Programmes. We will look to increase the percentage of Initial Tripartite Investigations evaluated as good or above. We will ensure that the Child Protection Committee and the Corporate Parenting Board provides strong leadership in this area.

SERVICE: CHILDREN & FAMILIES

INDICATOR REF: CHN23 - Percentage of looked after children with more than 1 placement in the last year (Aug-July)	
ABC RANK POSITION: 24th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** 🔻
ARGYLL AND BUTE	**SCOTLAND**
25.71% 🔺	**21.19%** 🔺
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:

Argyll and Bute has seen an increase of 7.31% and a decrease in rank position of 17 – from 7th to 24th. The Scotland figure has increased by .51%.

We do our utmost to ensure that our children and young people experience security and stability in their lives.

Where placement changes and disruptions take place, we ensure, through our Care Assessment and Reviewing Service that their best interests are paramount and their voice is heard. We recognise that sometimes behaviour and other circumstances mean that a change in placement is in the best interests of the child. We endeavour to make sure that this is recognised in a timely way and the child's needs are in the forefront of any such decisions are being made.

LOOKING FORWARD:

Through the development of our 3 residential houses and a "Core and Cluster" model development connected to them, we are looking to both be able to manage looked after children effectively and divert more from becoming accommodated. It is also intended that this model will assist with returning some children and young people home at an earlier stage. We will further develop our Fostering and Adoption Services, to ensure that our Foster Carers receive the training and support they require to retain and work with challenging children and young people. We will look to work closely with parents and Kinship Carers, in order to ensure a positive and swift return to the family, when this becomes possible. We will work with Community and Youth Justice to ensure early and effective intervention for those young people becoming involved in offending. We are making changes in our CAHM's service that will ensure earlier engagement with children and young people in crisis.

CUSTOMER AND SUPPORT SERVICES

SERVICE: CUSTOMER AND SUPPORT SERVICES	

INDICATOR REF: CORP 4 - The cost per dwelling of collecting Council Tax	
ABC RANK POSITION: 7th	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ⬇
ARGYLL AND BUTE	**SCOTLAND**
£6.90 ⬇	**£9.00** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -7.16%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -15.14%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -47.85%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -40.91%

TELLING OUR STORY:

Argyll and Bute rank 7th, there is a decrease in cost on the previous year of £7.40 where Argyll and Bute ranked 5th.

Previous benchmarking has shown that these costs are significantly affected by central support charges, degrees of centralisation and joint working between council tax and benefits. We are relatively low cost because of a centralised method of operation.

LOOKING FORWARD:

We have implemented a new council tax system in February 2018 which has lower maintenance costs and improved online facilities will be implemented in 2018/19. These will help to reduce future costs.

SERVICE: CUSTOMER AND SUPPORT SERVICES

INDICATOR REF: CORP 7 - Percentage of income due from Council Tax received by the end of the year

ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
95.8% ⬇	**95.8%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.18%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.15%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -0.37%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 1.16%

TELLING OUR STORY:

Argyll and Bute the %age of income due has dropped slightly on the previous year from 96.0% to 95.8%. This has resulted in a change in ranking from 15th to 20th. Had the figure remained at 95.97% the ranking would have been 16th.

The decline is due to charging double council tax on long term empty properties which is harder to collect. Only a few councils charge this at present, although more are planning to introduce it.

LOOKING FORWARD:

Future collection rates are expected to be very similar to current collection rates as they are influenced largely by the external economy. We have recently implemented Water Direct which will improved collections on water only accounts. Due to the way in which payments to Scottish Water are calculated, this will improved collections marginally.

SERVICE: CUSTOMER AND SUPPORT SERVICES

INDICATOR REF: CORP 8 - Percentage of invoices sampled that were paid within 30 days	
ABC RANK POSITION: 15ᵗʰ	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:** ↓
ARGYLL AND BUTE	**SCOTLAND**
94.1% ↑	**93.1%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.28%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.31%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 5.74%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 3.98%
TELLING OUR STORY: Performance in this indicator continues to rise. The invoices from business that do not fall within the scope of VAT are not included. (Zero rated and exempt invoices are). Some councils estimate this figure using a sample of 500 invoices – our figure is for all invoices and is therefore more accurate.	
LOOKING FORWARD: We have made considerable efforts to improve this during 2017/18 and performance has increased to 96.46%	

SERVICE: CUSTOMER AND SUPPORT SERVICES

INDICATOR REF: ECON 4 - % of procurement spent on local small/medium enterprises

ABC RANK POSITION: 3rd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
37.3% ⬆	**20.3% ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 14.16%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.18%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 27.94%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -4.58%

TELLING OUR STORY:

The figure for Argyll and Bute is consistently higher than for Scotland, moreover, in Argyll and Bute it appears to have been increasing over time, whereas the Scotland figure has been fairly stable.

Data is understated as it excludes business without a size in the Spikes Cavell database, so actual performance is better.

The council is a member of the Supplier Development Programme which provides free advice and training to local SMEs, facilitated by Business Gateway. We hold procurement surgeries and Meet the Buyer events for local suppliers to enable them to meet the team and find out about forthcoming contract opportunities. We monitor the number of contracts awarded to SMEs and the level of bids received from local suppliers, which may not necessarily directly correlate with levels of spend, but helps us to ensure that our procurement processes do not disadvantage local SMEs.

Specific examples include the following:

- Lotting of contracts into geographical areas;
- Vendor Rating System/closed tender process currently used for all Property Services Capital Works Quick Quotes;
- The monetary limit for works Quick Quotes has been increased to £2m;
- Mandatory sub-contracting clause used in relevant regulated procurements.

LOOKING FORWARD:

We continually monitor levels of contracts placed with local SMEs as it contributes to our economy. However performance is driven by the mix of contracts being tendered in any year and whether the local SME market is active in those areas.

IMPROVEMENT AND HR

SERVICE: IMPROVEMENT AND HR	
INDICATOR REF: CORP 3b - The percentage of the highest paid 5% of employees who are women	
ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
50.5 ➡	**52.0** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.02%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.20%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 44.38%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 12.39%

TELLING OUR STORY:

This indicator includes all senior posts including Chief Executive but excludes Teachers.

There are currently more members of the SMT who are female (5:2). Of the 11 Council employed Heads of Service (including the HSCP) there are 4 females and 7 male. We have seen a slow but steady increase in the proportion of the highest paid employees being female. This rate of change is indicative of the lower levels of turnover in these posts, but the direction of travel is positive.

LOOKING FORWARD:

As part of the promotion of Argyll and Bute as an Employer of Choice and also through the Equality Forum, we will be identifying postholders in the Council who are female and who are in 'non gender typical' roles. Testimonial from these employees will be used in online media to tell their story and encourage more women to see the Council as a route to success for women in management and senior management posts.

SERVICE: IMPROVEMENT AND HR

INDICATOR REF: CORP 3c - The gender pay gap

ABC RANK POSITION: 28th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
8.5% ⬆	**4.1% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 9.89%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -8.33%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.89%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -8.33%

TELLING OUR STORY:

The figure is the %age difference in hourly pay between men and women (excluding overtime). As this figure is a positive it indicates that men are paid more than women. This indicator does not deal with equalities relating to ethnicity, disability or sexual orientation.

This measure has only 2 years of data in the LGBF and its reporting coincides with the implementation of the public sector equality duty, which requires public bodies to publish an equalities mainstreaming report, including the gender pay gap, every 2 years.

The gender pay gap does not mean that the rates of pay for the same jobs are different between men and women. It means that there are a higher number of men in higher paid posts across the organisation. This can be explained by the gender balance of the organisation, which is 72% female, and the fact that the larger numbers of posts at lower grades, eg catering, cleaning and care, are predominantly carried out by women.

LOOKING FORWARD:

During 2018/19 the Council will be carrying out an equal pay audit and will be refreshing our equality outcomes. These will contribute towards our approach to narrowing the gender pay gap.

SERVICE: IMPROVEMENT AND HR

INDICATOR REF: CORP 6a - Sickness Absence Days per Teacher

ABC RANK POSITION: 19th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
5.9 ⬇	6.1 ➡
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -13.77%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.54%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -24.72%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -8.21%

TELLING OUR STORY:

This includes all Teachers that have been employed for over 1 year. Authorised leave such as maternity, paternity adoption or similar is excluded.

The Council's ranking for this measure has improved over the most recent recording period. This has resulted in an overall improvement in both performance and rank.

LOOKING FORWARD:

The Improvement and HR Service will continue to support managers to ensure that absence is correctly managed and maintain this positive profile.

SERVICE: IMPROVEMENT AND HR

INDICATOR REF: CORP 6b - Sickness Absence Days per Employee (non-teacher)

ABC RANK POSITION: 21th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➔
ARGYLL AND BUTE	**SCOTLAND**
11.6 🔺	**10.9** 🔺
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.67%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.66%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.26%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 1.14%

TELLING OUR STORY:

This includes all staff that have been employed for over 1 year. Authorised leave such as maternity, paternity etc. is excluded.

The Council has invested significant resource in putting management actions and monitoring in place to reduce sickness absence. This is an area where there has been no real movement or improvement over time, despite the council putting in place all the best practice measures for controlling and managing absence that other organisations use. There is significant debate across SPDS about the methods used to collate absence statistics. We know that our absence recording is accurate, but not all councils have an automated system in place. The majority of councils are clustered in this measure around 9.5-12 days. Outliers tend to have different leave arrangements in place. The focus is now being shifted to encourage a wellbeing agenda to prevent absence rather than focussing on treating absence once it has occurred.

LOOKING FORWARD:

The Council continues to work with national groups to identify more effective methods of reducing absence amongst LGE staff. Our current approach maximises the use of techniques that are in place in other Councils. We will be focussing on wellbeing in 2018/19 as improved wellbeing across employees will assist in tackling the cause rather than the effect of absence, which our current management approach does.

GOVERNANCE AND LAW

SERVICE: GOVERNANCE AND LAW	

INDICATOR REF: CORP 1 - Support services as a % of Total Gross expenditure

ABC RANK POSITION: 30th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
7.7% ↑	**5.0%** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.59%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.72%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -19.64%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 2.26%

TELLING OUR STORY:

Argyll and Bute has the 3rd highest percentage figure in Scotland.

The overall costs for corporate services have reduced, therefore the increase in percentage will be linked to the TGE (Total Gross Expenditure) and the size of the Council. There is also a question as to whether all LA's are calculating the support services costs equally.

LOOKING FORWARD:

There will always be challenges around this indicator for smaller and more rural Council areas .The Council will be considering how to provide its support services as part of the overall transformation agenda.

SERVICE: GOVERNANCE AND LAW

INDICATOR REF: CORP 2 - Cost of Democratic Core per 1,000 population

ABC RANK POSITION: 27th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£49,397 ⬇ (DRAFT)	**£30,213 ⬇ (DRAFT)**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 11.33%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -5.29%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 880.98%*	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -17.91%

TELLING OUR STORY:

From 2015/16 to 2016/17 Argyll and Bute has reduced the cost by £415,000 and improved the rank position from 29th to 27th

The number of Councillors in relation to the total population is a factor, particularly with regard to the island populations, and the subsistence costs associated with a geographically large area.

*Based on year 1 data which is out of line with all following years.

LOOKING FORWARD:

The Council has made budget decisions which have reduced the cost of the democratic core but it is unlikely that any further improvement can be made until we see a prolonged upturn in population.

ADULT CARE

SERVICE: ADULT CARE	
INDICATOR REF: SW1 - Older Persons (Over65) Home Care Costs per Hour	
ABC RANK POSITION: 25th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
£27.72 ⬆	**£22.64** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 6.83%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.46%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -17.68%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 2.19%

TELLING OUR STORY:

Argyll and Bute's home care costs per hour are above the Scottish average. This is likely, in part, to be attributable to the geography of the area, and the sparsity of the population.

There is a curiosity regarding the costs of home care in Edinburgh and West Lothian. These are not sparsely populated areas, which suggests that some other factor is keeping costs relatively high. (Could this relate to policy decisions with regard to how the service is provided / rates of pay?)

LOOKING FORWARD:

SERVICE: ADULT CARE

INDICATOR REF: SW2 - SDS spend on adults 18+ as a % of total social work spend on adults 18+

ABC RANK POSITION: Highest to Lowest – 16th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
4.2% ⬆	**6.5% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 6.34%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -2.51%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 2.67%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 311.42%

TELLING OUR STORY:

The figure for Scotland is pulled upwards by the SDS spend in Scottish Borders and Glasgow, both of which have far higher spend on SDS than other areas. The reason for the high uptake of SDS in these authorities compared to other authorities is unclear. (It was suggested at a recent LGBF learning event, however, that social workers may be driving the use of SDS over other options in Scottish Borders.)
Given the relatively low uptake of SDS in other areas, questions arise as to how desirable SDS is among clients, and whether there are realistic opportunities to use SDS where it is wanted.
Although SDS spend is lower than the Scottish average in Argyll and Bute, once Scottish Borders and Glasgow are removed from the dataset, Argyll and Bute's figures are seen to be close to the rest of Scotland average (4.2% compared to 4.32%).

LOOKING FORWARD:

SERVICE: ADULT CARE

INDICATOR REF: SW3 - % of people 65+ with intensive needs receiving care at home

ABC RANK POSITION: 5th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
44.1% ↓	**35.3%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -7.25%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.35%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 20.51%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.45%

TELLING OUR STORY:

In Argyll and Bute the percentage of people aged 65+ with intensive needs receiving care at home is higher than across Scotland (44.12% compared to 35.3%.)
The trend for Scotland has been an increase in the percentage receiving care at home, whereas in the last couple of years, the percentage in Argyll and Bute has fallen slightly. However, this should be seen in light of the higher percentage to start with.

It would also be useful to have more information about the age profile of the population, and what qualifies as intensive needs. At what point does it stop being possible to care for clients at home? More information about the role that the demographic profile plays in this indicator would be useful, particularly where Argyll and Bute has an older age profile than other areas.

LOOKING FORWARD:

SERVICE: ADULT CARE	
INDICATOR REF: SW4 - % of Adults satisfied with social care or social work services - DNA	
ABC RANK POSITION:	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:**
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY:	
LOOKING FORWARD:	

SERVICE: ADULT CARE

INDICATOR REF: SW4a -Percentage of adults receiving any care or support who rate it as excellent or good - DNA

ABC RANK POSITION:	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
RANK POSITION FOR ABC:	
TELLING OUR STORY:	
LOOKING FORWARD:	

SERVICE: ADULT CARE	
INDICATOR REF: SW4b - Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life - DNA	
ABC RANK POSITION:	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS:**
ARGYLL AND BUTE	**SCOTLAND**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR:	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:
TELLING OUR STORY:	
LOOKING FORWARD:	

SERVICE: ADULT CARE

INDICATOR REF: SW5 - Older persons (over 65's) Residential Care Costs per week per resident

ABC RANK POSITION: 27th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**
£468.04 ⬆	**£372.36⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.37%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.15%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -4.64%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -12.88%

TELLING OUR STORY:

Residential care costs per resident are higher in Argyll and Bute than across Scotland. Given that more people stay at home in Argyll and Bute, it may be that costs are higher because the Argyll and Bute residents have more complex / demanding needs. More explanation is needed. This indicator should be looked at in conjunction with the previous one.

However, the following analysis may be helpful. Comparing 2015/16 and 2016/17 data only -
Argyll and Bute has an increase of 30 residents which equates to a 5.76% increase on 2015/16, while Scotland has a decrease of 150 residents which equates to (.48%) decrease on 2015/16
Conversely - Argyll and Bute costs have increased by £20.51 per resident / per week, which equates to a 4.53% increase, while Scotland costs have increased by £5.95 per resident / per week, which equates to a 1.59% increase.
The percentage of the population receiving residential care in Argyll and Bute is .631%; for Scotland its .567% and for Clackmannanshire its .448% (Council with the lowest cost).

LOOKING FORWARD:

COMMUNITY AND CULTURE

SERVICE: COMMUNITY AND CULTURE	
INDICATOR REF: C&L1 - Cost per attendance at Sports facilities	
ABC RANK POSITION: 21th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ↓
ARGYLL AND BUTE	**SCOTLAND**
£3.3 ↑	£2.9 ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.65%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS:
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 23.99%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR:

TELLING OUR STORY:

The trend in Argyll and Bute is the opposite of that in Scotland. While costs in Scotland have shown a downward trend, costs in Argyll and Bute have been rising over time.

The number of attendances for Argyll and Bute has fallen by nearly 13% or 70,601 attendances - from 545,894 in 2015/16 to 475,293 in 2016/17. The link between keeping fit and health related issues is widely documented and perhaps this fall in attendance should be observed.

LOOKING FORWARD:

SERVICE: COMMUNITY AND CULTURE

INDICATOR REF: C&L2 - Cost Per Library Visit

ABC RANK POSITION: 31st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£4.29 ⬇	**£1.97** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -13.24%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -21.18%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -28.59%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -47.40%

TELLING OUR STORY:

Costs per visit have been going down over time in Argyll and Bute as well as in Scotland. However, costs remain higher in Argyll and Bute, and the rate of change has been slower in Argyll and Bute.
The number of visits to libraries in Argyll and Bute has decreased from 312,196 in 2015/16 to 282,353 in 2016/17. A drop of nearly 10.46% or 29,843 visits.
The number of visits includes visits to mobile libraries, internet use, reference etc.

LOOKING FORWARD:

SERVICE: COMMUNITY AND CULTURE

INDICATOR REF: C&L3 - Cost of Museums per Visit

ABC RANK POSITION: 2nd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£0.4 ⬇	**£3.2 ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -64.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.08%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 41.03%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -31.89%

TELLING OUR STORY:

The cost of museums per visit is lower in Argyll and Bute is the second lowest in Scotland, after North Ayrshire.

This almost certainly is a reflection of (1) Argyll and Bute having only one Council-owned museum, (2) the museum is small so does not have a large staff, or large costs associated with it, (3) figures for Kilmartin museum are included in the totals, and these are heavily influenced by facebook traffic.

LOOKING FORWARD:

SERVICE: COMMUNITY AND CULTURE

INDICATOR REF: C&L5a - % of adults satisfied with libraries

ABC RANK POSITION: 9th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
75.0% ⬇	**73.0%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -12.79%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.35%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -0.40%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -12.57%

TELLING OUR STORY:

This figure is from the SHS for 2014-17.

A general comment about satisfaction measures from the SHS: Satisfaction is measured on the basis of a three year rolling average. By using a rolling average, trend data is smoothed. Therefore a drop in satisfaction level may be masked / smoothed over time.

In Scotland, there has been a downward trend in satisfaction levels over time. Perhaps this should be considered in light of the comment about the indicator, above.

In Argyll and Bute, satisfaction levels with libraries have fluctuated over time. The smaller sample size (compared to Scotland) would make Argyll and Bute data more prone to variation.

LOOKING FORWARD:

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SERVICE: COMMUNITY AND CULTURE

INDICATOR REF: C&L5c - % of adults satisfied with museums and galleries

ABC RANK POSITION: 31st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
49.0% ⬆	**70.0% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: DNA	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.41%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.00%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -7.28%
RANK POSITION FOR ABC:	

TELLING OUR STORY:

This figure is from the SHS for 2014-17.

A general comment about satisfaction measures from the SHS: Satisfaction is measured on the basis of a three year rolling average. By using a rolling average, trend data is smoothed. Therefore a drop in satisfaction level may be masked / smoothed over time.

In Scotland, there has been a downward trend in satisfaction levels over time. Perhaps this should be considered in light of the comment about the indicator, above.

In Argyll and Bute, satisfaction levels with libraries have fluctuated over time. The smaller sample size (compared to Scotland) would make Argyll and Bute data more prone to variation.

LOOKING FORWARD:

SERVICE: COMMUNITY AND CULTURE

INDICATOR REF: C&L5d - % of adults satisfied with leisure facilities

ABC RANK POSITION: 29th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
66.3% ⬆	**74.0% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 11.11%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.00%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 16.86%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.14%
RANK POSITION FOR ABC:	
TELLING OUR STORY: This figure is from the SHS for 2014-17. Argyll and Bute ranks 29th for 2014-17 with a satisfaction rate of 66.33%, down on the previous satisfaction recording of 64.70% for 2013-16 that had a rank of 30th.	
LOOKING FORWARD:	

ROADS AND AMENITY

SERVICE: ROADS AND AMENITY	
INDICATOR REF: C&L4 – Cost of Parks and Open Spaces per 1,000 Population	
ABC RANK POSITION: 12ᵗʰ	**ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡**
ARGYLL AND BUTE	**SCOTLAND**
£17,318 ⬇	**£21,580 ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.82%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -8.32%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.47%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -28.36%

TELLING OUR STORY:

The metadata states that this indicator is based on LFR data divided by population. However, it is not clear who / what is included in the LFR data. Given that Argyll and Bute does not have many parks, the cost figure given seems questionable. Are local authorities including like for like figures in their returns?

LOOKING FORWARD:

No indicators proposed currently due to the limited of formal parks within Argyll and Bute. This will be monitored and reviewed in due course.

SERVICE: ROADS AND AMENITY

INDICATOR REF: C&L5b - % of adults satisfied with parks and open spaces

ABC RANK POSITION: 24th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
88.0% ⬆	**87.0% ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 14.29%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.35%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 25.18%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.69%

TELLING OUR STORY:

This figure is obtained from the SHS. While this is the best satisfaction data currently available there is concern regarding how people interpret parks and open spaces within the Argyll and Bute context. We only have one formal park there may be a misinterpretation regarding this measure and the vast amount of high quality outdoor space in Argyll and Bute being included.

LOOKING FORWARD:

Continue to monitor data from the SHS.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV1a - Net cost per Waste collection per premises

ABC RANK POSITION: 10th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: 🔻
ARGYLL AND BUTE	**SCOTLAND**
£54.1 🔽	**£64.5** 🔽
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.18%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.74%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 12.27%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 2.77%

TELLING OUR STORY:

From 2015/16 to 2016/17 Argyll and Bute Nett cost for collection reduced from £55.89 to £54.11 per premise, a cost reduction of £112,390. This is coupled with a reduction of 417 in the number of premises that waste is collected from. Our rank position has been maintained at 8th from 2015/16 to in 2016/17.

Waste costs have reduced through innovative changes to collection service including:
- Co-mingled collections introduced 2013/14
- 3 weekly general waste introduced in 2016/17

Our geography, a 25 year PPP contract and increasing haulage costs taking recycling off the islands make our area more challenging both logistically and financially.

LOOKING FORWARD:

The 25 year financial model forecasts the current delivery structure unsustainable. The ABCs 2012 waste strategy is being refreshed to reflect both the financial strategy and Scottish Governments policy position regarding the 2021 ban on biodegradable waste to landfill.

Develop performance indicators for the third sector groups contracted to Argyll and Bute Council. These indicators would be used as part of a contractual relationship between groups and council.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV2a - Net cost per Waste disposal per premises

ABC RANK POSITION: 32nd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**
£177.4 per premise ⬇	**£98.8 per premise** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.87%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 12.45%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.75%

TELLING OUR STORY:

The Nett cost for disposal has reduced from £181 in 2015/16 to £177 per premise, giving a reduction in overall cost of £244,870. There has been a reduction of 417 in the number of premises that waste is collected from.

Please also read in conjunction with ENV1a – Nett cost per Waste collection per premises.

LOOKING FORWARD:

Continue to benchmark with other authorities regarding price per premises. This will also take into consideration Argyll and Bute's geography and the 23 inhabited islands which makes logistics difficult and therefore increases costs per collection.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV3a - Net cost of street cleaning per 1,000 population

ABC RANK POSITION: 8th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£9790.0 ⬇	**£14,430.8** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -11.50%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -8.62%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -21.00%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -33.91%

TELLING OUR STORY:

The population at the MYE has increased by 240 over this period. A 25% reduction in budget following service choices has resulted in a reduction in service on the ground. Some previous hand barrow routes have been replaced with mechanical pedestrian sweepers. A national survey system is carried out on a limited sample therefore is considered not that representative. Additional funding for a 1-year period has enabled additional enforcement which is helping to reduce littering and dog mess.

LOOKING FORWARD:

Continue to use the LEAMS indicator, this may need to be reviewed given the reduction in available budget for this service activity.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV3c - Cleanliness Score (%age Acceptable)

ABC RANK POSITION: 11th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
95.2 ⬆	**93.9** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 7.85%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.54%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.83%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.57%

TELLING OUR STORY:

Argyll and Bute cleanliness score has seen a marked improvement in the score and rankings, with the ranking increasing from 28th to 11th.

Please also read in conjunction with ENV3a – Nett cost of street cleaning per 1,000 population.

LOOKING FORWARD:

Continue to use the LEAMS indicator, this may need to be reviewed given the reduction in available budget for this service activity.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV4a - Cost of maintenance per kilometre of roads

ABC RANK POSITION: 4th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
£5395.0⬆	**£10,307.6⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.03%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -48.24%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -22.32%

TELLING OUR STORY:

The local road network is the single most valuable Capital asset the council has responsibility for with a gross replacement value of £2,696,852,632.

We have been one of the leading Scottish Local Authorities in roads asset management using deterioration modelling, funding scenarios and a range of methods to maximise the return on the available investment. The annual asset management approach together with a funding package has enabled this council to arrest the decline in condition and deliver a small overall improvement in condition. Without this approach and funding the condition index was set to have continued on a downward spiral which would have resulted in a significant percentage of the network not being fit for purpose today.

The strategy over the last 6/7 years has been to focus more on the high speed 'A' class network, this being on a risk basis. Consequently the 'A' class network has improved over the other classes of network. The frequency of national survey also influences this with more frequent surveys being carried out on the higher class of roads than on the lower class resulting in a lag in overall condition reporting between improvement treatments being delivered and improvement being indicated via the surveys. ABC carry out an addition 4 yearly full network survey to provide a benchmark - national surveys are currently every 10 years for 'U' class and every year in one direction only for 'A' class.

Notwithstanding the above ABC still has a backlog maintenance value of c£100m and would need to have an annual investment of £11m to see any meaningful improvement. This year the investment is c £3.5M.

SCOTS and APSE have joined together in producing one set of performance indicators for road network performance.

LOOKING FORWARD:

Continue to produce an Annual Status and Options Report as part of a wider suite of asset management documents allowing maximum return from the available investment.

SERVICE: ROADS AND AMENITY
INDICATOR REF: ENV4b, c, d & e - Percentage of roads that should be considered for maintenance treatment by road class

INDICATOR REF: ENV4b - Percentage of A class roads that should be considered for maintenance treatment

ABC RANK POSITION: 32nd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**
44.6% ⬇	**29.5%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.65%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.02%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.34%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.52%

INDICATOR REF: ENV4c - Percentage of B class roads that should be considered for maintenance treatment

ABC RANK POSITION: 32nd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**
63.4% ⬆	**34.8%** ➡
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.93%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.12%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 1.51%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.90%

INDICATOR REF: ENV4d - Percentage of C class roads that should be considered for maintenance treatment

ABC RANK POSITION: 32nd	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**
60.2% ⬆	**34.6%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.13%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.49%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.53%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.23%

INDICATOR REF: ENV4e - Percentage of unclassified roads that should be considered for maintenance treatment

ABC RANK POSITION: 30th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➡
ARGYLL AND BUTE	**SCOTLAND**

78

52.9% ↓	39.5% ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.45%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.57%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -8.70%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -5.72%

TELLING OUR STORY:

Please also read in conjunction with ENV4a - Cost of maintenance per kilometre of roads

LOOKING FORWARD:

Continue to produce an Annual Status and Options Report as part of a wider suite of asset management documents allowing maximum return from the available investment through delivering a range of proportionate surface treatments that strengthen, protect and maintain the road infrastructure.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV6 - The % of total household waste arising that is recycled

ABC RANK POSITION: 26th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ➜
ARGYLL AND BUTE	**SCOTLAND**
33.9% ⬆	**45.2%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.30%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.22%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -18.42%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 16.82%

TELLING OUR STORY:

Co-mingled and 3 weekly collections have seen in increase in recycling. Emerging waste strategy will shape the direction of travel that ABC takes regarding waste and recycling

LOOKING FORWARD:

Through the development of the waste strategy, provide performance indicators for increasing the percentage of household waste that is recycled.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV7a - % of adults satisfied with refuse collection

ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
70.0% ⬇	**79.0%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -21.35%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.66%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -21.52%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.35%

TELLING OUR STORY:

This figure is from the SHS. One to monitor, the possible dip in satisfaction could be due to the significant change of 48,000 properties moving to 3 weekly collections.

LOOKING FORWARD:

Continue to monitor data from the SHS.

As part of the emerging waste strategy, capture initiatives that can help increase and sustain the percentage of waste that is recycled.

SERVICE: ROADS AND AMENITY

INDICATOR REF: ENV7b - % of adults satisfied with street cleaning

ABC RANK POSITION: 10th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
78.0% ⬇	**70.0%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.70%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -4.11%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.52%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -4.50%

TELLING OUR STORY:

This figure is from the SHS. Interesting to see that service has reduced by 25% with a decrease in satisfaction of -3.70%. This is possibly due to innovative routing and introduction of mechanical devices.

LOOKING FORWARD:

Continue to monitor data from the SHS.

ECONOMIC DEVELOPMENT AND STRATEGIC TRANSPORTATION

SERVICE: ECONOMIC DEVELOPMENT AND STRATEGIC TRANSPORTATION

INDICATOR REF: ECON 1 - Percentage of Unemployed People Assisted into work from Council Funded/Operated Employability Programmes

ABC RANK POSITION: 31st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
0.9% ⬇	**14.0%** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -18.57%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.14%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -95.41%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 53.45%

TELLING OUR STORY:

Argyll and Bute is the poorest performer in Scotland for this measure, this is partly due to the low unemployment levels.

Argyll and Bute is assisting very few people into work through council funded / operated employability programmes. Numbers have fallen from a peak of 800 in 2013-14 to 12 in 2016-17.

It should also be noted that during 2013-14 the Council's Employability Team delivered the Work Programme (WP) on behalf of Working Links across the entire Highlands and Islands area, through sub-contractors plus a team for Argyll and Bute Council based in Inverness. With the winding down of the WP contract during 2016/17, not entering into the WP extension period, provision dropped to focusing solely on Argyll and Bute. Other contracts, such as Mandatory Work Activity (MWA) and Community Work Placement (CWP) for those who did not obtain work through the WP (delivered on behalf of Learndirect) also concluded in June and September 2016. Therefore, the lack of provision for 2016/17 impacted on the performance numbers attained. Therefore, during 2016/17 a focus was given to securing more contracts for future delivery. This transition also reduced the staff complement in the team down from a peak of 26 to only five.

LOOKING FORWARD:

Argyll and Bute Council has given approval for the Employability Team to deliver the new Fair Start Scotland contract over the next three years, commencing on the 'go live' date of 3rd April 2018. Argyll and Bute Council's Employability Team has been commissioned by PeoplePlus (prime contractor for the Scottish Government for the Highlands and Islands area) to deliver this contract across the Argyll and Bute. In addition, the Employability Team has also been given permission to bid for Employability Fund places for the year 2018/19. An announcement of places secured under the Employability Fund will be made in early March 2018. The Employability Team will also continue to deliver the Work Able contract for Progress Scotland until the end of 2018/19.

SERVICE: ECONOMIC DEVELOPMENT AND STRATEGIC TRANSPORTATION

INDICATOR REF: ECON 5 - No of business gateway start-ups per 10,000 population

ABC RANK POSITION: 28th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: 🔻
ARGYLL AND BUTE	**SCOTLAND**
11.9 🔻	**16.6** 🔻
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -10.59%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.74%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.06%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -12.66%

TELLING OUR STORY:

Argyll and Bute has a lower start up rate than Scotland, this may reflect the nature of the area, but it possibly also reflects the demographic profile. With a high proportion of older (retired) people, the appetite to start new businesses may be lower.

It is agreed it would be more helpful to use per 10,000 working age population as the denominator for this calculation, with the metric being the number of starts per working age population. This was discussed at Business Gateway Operational Network meeting on 22nd February 2018. Argyll and Bute Council should consider lobbying for this metric to be changed.

LOOKING FORWARD

Argyll and Bute Business Gateway will continue to:

- Provide a start-up support service; workshops, one-to-one adviser support, information and guides;
- Deliver the Business Gateway's Local Growth Accelerator Programme (LGAP) until December 2018 to support growing businesses. Discussions are underway about Phase 2;
- Deliver the Rural Resettlement Fund which will continue to be available for businesses and the self-employed relocating to the area (see https://www.argyll-bute.gov.uk/rrf); and
- Signpost available sources of funding for business start-ups, such as external sources of grant and loan funding.

There may be an opportunity in the future, if the West of Scotland Loan Fund surplus funds can be transferred, to develop new financial support for start-ups. Options will be explored later in the year.

FACILITY SERVICES

SERVICE: FACILITY SERVICES

INDICATOR REF: CORP ASSET1 - Proportion of operational buildings that are suitable for their current use

ABC RANK POSITION: 29th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
72.7% ⬆	**79.8% ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.23%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.24%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 11.99%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 8.28%

INDICATOR REF: CORP ASSET2 - Proportion of internal floor area of operational buildings in satisfactory condition

ABC RANK POSITION: 11th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
92.1% ⬆	**84.5% ⬆**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.93%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.67%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.13%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 3.92%

TELLING OUR STORY:

It is probably useful to look at CORP ASSET1 and CORP ASSET 2 together. The first indicator looks at the number of buildings, irrespective of size, the second indicator looks at floor space.

As we have replaced a range of smaller buildings with a smaller number of larger ones, the proportion of operational buildings suitable for their current use has increased, with the internal floor space in satisfactory condition increasing at a faster rate.

Note that these indicators only include operational buildings, so any buildings that are not in use but are still in the council's ownership are not included here, no matter what state they are in.

Our scores are mainly influenced by the investment strategy adopted by the Council i.e. we either choose to improve the condition and suitability of our buildings or defer investment to prioritise attention on other asset groups. Our outcomes have also been influenced by decisions taken to rationalise our asset base. Until now the emphasis has been on office rationalisation and the promotion of opportunities for co-location but efforts are now being focused on the need to transform our approach to service delivery with the aim of reducing the number of operational depots. The cleansing of records for incorporation within the Concerto Property Management system has also had a minor impact on the outcomes through the eradication of historic errors in the recording of the gross internal areas of buildings.

Ultimately, authorities that devote high levels of investment to improve the condition and suitability of their buildings will achieve highest scores. In addressing these indicators, it should be noted that Argyll and Bute Council with its high number of operational buildings, many of which are in peripheral locations, will have to invest more in relative terms to achieve progress than geographically smaller local authorities with fewer buildings.

Finally, the indicators focus on operational rather than surplus buildings. This is due to the fact that investment and the drive to continuously improve is focused on the buildings that are required to sustain service delivery. Surplus properties are excluded principally because local authorities tend to place them on a care and maintenance until they are disposed of or demolished.

LOOKING FORWARD:

The Council will continue to undertake condition and suitability surveys for operational buildings to inform its investment needs. Typically the condition of 20% of the Council's operational buildings is assessed each year so that over a five year period the entire operational building portfolio is assessed. In addition, surveys are updated following capital investment. The output from these surveys will allow the Council to prioritise its investment which will concentrate on improving building assets or their constituent elements (roofs, walls, windows, doors etc.) that are assessed as being "red risk". The prioritised investment will not only eliminate buildings/elements with a "red risk" classification but will also assist in maximising the opportunity for sustaining the Corp Asset 1 and Corp Asset 2 indicators.

PLANNING, HOUSING AND REGULATORY SERVICES

SERVICE: PLANNING, HOUSING AND REGULATORY SERVICES	

INDICATOR REF: ENV5 - Cost of trading standards and environmental health per 1,000 population

ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
£31,194 ⬇	**£21,377** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -2.26%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.43%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -21.70%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -20.13%

TELLING OUR STORY:

The gross cost of this indicator for Argyll and Bute has reduced by £55,180. This is a reduction of £760 per 1,000 of population with a population of 87,130 (at the MYE figure). During the period 2015/16 the population has increased by 240.

Argyll and Bute has decreased in rank position from 5th largest to 3rd largest with a cost per 1,000 of population at £31,194.

LOOKING FORWARD:

This measure is important at a national level to demonstrate rends although at a service management level, is less important. The focus will be on identifying and benchmarking on output or outcome focussed measures which have been developed together with APSE. This provides key information which can influence service delivery, rather than the total cost of service.

SERVICE: PLANNING, HOUSING AND REGULATORY SERVICES

INDICATOR REF: ENV5a - Cost of trading standards per 1,000 population

ABC RANK POSITION: 20th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
£6,484 ⬇	**£5,494** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -.36%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.32%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 3.62%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 1.03%

TELLING OUR STORY:

There has been a reduction of £23 per 1,000 of population with a population of 87,130 at the MYE figure. During the period 2015/16 the population has increased by 240.

Argyll and Bute has decreased in rank position from 12th most economical to 20th.

This indicator includes the cost of maintaining public conveniences.

LOOKING FORWARD:

Costs of delivering Trading Standards in rural authorities are higher than urban and semi-urban. The cost/population ratio does not adequately reflect this and it is worthwhile comparing the figures by area.

It is important that the LGBF indicators are meaningful and there is concern that this is not the case for ENV5 (EH and TS). Through the Society of Chief Officers of Trading Standards in Scotland (SCOTSS) a national Project Team has been established teams to work with the Association of Public Services Excellence (APSE) and a range of meaningful measure have been developed.

The next stage is to benchmark with the aim of better understanding the data and identifying efficiencies/best practice. In terms of Argyll and Bute, the agreed budget savings will see a reduction in the trading standards resource and therefore this measure over the next 2 years by up to 40%. We are also progressing with shared serviuc4s through the North of Scotland TS Alliance and common plans etc.

SERVICE: PLANNING, HOUSING AND REGULATORY SERVICES

INDICATOR REF: ENV5b - Cost of environmental health per 1,000 population

ABC RANK POSITION: 31st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: 🔻
ARGYLL AND BUTE	**SCOTLAND**
£24,710 🔽	**£15,883** 🔽
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -2.75%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.46%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -10.03%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -7.91%

TELLING OUR STORY:

The gross cost of this indicator for Argyll and Bute has reduced by £54,700. This is a reduction of £698 per 1,000 of population with a population of 87,130 .During the period 2015/16 the population has increased by 240.
Argyll and Bute has decreased one rank position from 30th most expensive to 31st with a cost per 1,000 of population at £24,710.
The data clearly shows the costs of delivering a service in a geographically challenging environment.

The only LGBF measures for environmental health and trading standards relate to the costs of delivering EH and TS per 1,000 population (ENV5). The trends illustrate a reduction in funding of 16.6% over the last 6 years, with 5% in the last year. This reflects the outcome of Audit Scotland reports (protecting Consumers 2013) which identified serious risks for future delivery of trading standards and to a lesser extent food safety, as a result of reductions in budgets.

Costs of delivering EH/TS in rural authorities are higher than urban and semi-urban. The cost/population ratio does not adequately reflect this and it is worthwhile comparing the figures by area.

There is an issue with the EH cost measure as the costs includes the provision of public conveniences. Through working with APSE (Association for Public Service Excellence) we have identified the components which are included in the total costs and this allows a better comparison of the trends in environmental health.

It is important that the LGBF indicators are meaningful and there is concern that this is not the case for ENV5 (EH and TS). Through the Society of Chief Officers of Environmental Health in Scotland (SOCOEHS) National Project Teams have been established teams to work with

the Association of Public Services Excellence (APSE) are these have developed a range of meaningful measures. These are very specific to the services and promotes benchmarking and meaningful data (e.g. cost of EH service/head of population is £11.68 compared with highest /average of £19.81/£9.43; food hygiene inspection in Argyll and Bute is £4.04/inspection compared to Scottish average of £2.06). The level of income we generate as a % of expenditure is in the top quartile in Scotland (36%).

Contrary to the year on year reductions the percentage of broadly complaint food business remains high at a Scottish average of 92.7% through targeted use of resources at higher risk activities/premises.

Key challenges are reducing budgets against increasing demands for service in terms of reactive complaints and business support (e.g. export certificates). This workload is likely to increase, the later as a result of Brexit, and there is a need to ensure that there are appropriate regulatory arrangement in place.

LOOKING FORWARD:

A reduction in EH budget associated within budget savings will see a further reduction in costs. Looking for other efficiencies and shared services/mutual support/new ways of working through benchmarking using other figures.
Need more outcome focused measures

The LGBF measures are important strategically as it provides a focus on services, although they are not the key driver for performance. There are issues which prevent the measures being comparable and useful (other than our own trends) and there are other measures being used from other frameworks or statutory returns which provide a greater focus on driving improvements. They require to be more outcome focussed and the expiating measures require to be reviewed by the LGBF in discussions with Councils and professional bodies.

SERVICE: PLANNING, HOUSING AND REGULATORY SERVICES

INDICATOR REF: ECON 2 - Cost per application

ABC RANK POSITION: 1st	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£2,799 ⬇	**£4,635** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -44.92%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.97%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -57.18%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -15.09%

TELLING OUR STORY:

The cost per planning application in Argyll and Bute was the lowest in Scotland in 2016-17, and is low compared to the Scottish average (£2,799.62 compared to £4,623.94). This figure is calculated by dividing the LFR by the number of applications processed.
The change in the Argyll and Bute figure seems to be due to a large reduction in LFR, which has fallen from £5,062,593 in 2015-16 to £2,948,000 in 2016-17 (-41.77%) along with a slight increase in the number of applications processed.

LOOKING FORWARD:

Draft guidance for the 2017/18 Planning Performance Framework report has identified the inclusion of ECON 2 as a performance measure to be included within the annual report to Scottish Ministers on the planning performance of the Council. If LGBF is to be utilised as a means of benchmarking the cost of delivering Development Management services then it would be helpful if the report included details of the LRF value and number of applications for each authority to allow more informed comparisons of the cost of delivering services to be made.

The Development Management Service will continue to work toward reducing the cost of delivery and is about to commence a review of its existing service delivery arrangements which will seek to identify new income streams, opportunities to reduce/rationalise service provision, and to deliver efficiency savings through the use of technology for the improvement of existing processes and procedures and the introduction of new ways of working.

The results for 2016/17 as a whole are somewhat surprising in that they would suggest that rural authorities have a significantly lower cost per application compared to more urban areas. Based on the limited information within the LGBF is unclear why this would be the case as urban

authorities which would ordinarily be expected to benefit from economies of scale and provision of services across a more compact area of operation.

SERVICE: PLANNING, HOUSING AND REGULATORY SERVICES

INDICATOR REF: ECON 3 - Average Time Per Commercial Planning Application

ABC RANK POSITION: 18th	ABC RANK MOVEMENT FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
9.2 ⬇	**9.3** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -23.52%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -16.80%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -14.14%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -28.15%

TELLING OUR STORY:

Argyll and Bute figures are broadly in line with Scottish averages, Argyll and Bute rank has increased from 27th to 18th in the past year.

Read together ECON 2 and ECON 3 demonstrate that Argyll and Bute Council's Development Management Service provided extremely good value for money when compared with other authorities for the period 2016/17. This is largely reflective of the significant savings which have been made within the service since 2010-11 and an increase in the volume of planning applications in the reporting period. However ECON 3 also evidences that savings have been implemented in a manner which has maintained an acceptable level of performance over this time period.

LOOKING FORWARD:

Draft guidance for the 2017/18 Planning Performance Framework report has identified the inclusion of ECON 3 as a performance measure to be included within the annual report to Scottish Ministers on the planning performance of the Council.

It is noted that the Development Management Service has in the year to date improved its performance in respect of time taken for determination of applications and would expect to see an improved position in respect of ECON 3 for 2017/18.

Looking to the future, the draft Planning Bill places significant emphasis on maintaining and improving the performance of Planning as an activity that plays an important role in facilitating sustainable growth and delivering high quality development in the right places. Whilst it is expected that further investment in planning will be delivered by increased fees it is noted that the draft Bill includes measures which would seek to justify the investment by increasing the scrutiny upon the performance of Local Authority planning services. These provisions would include the introduction of powers for the Scottish Ministers to audit planning authorities and impose improvement actions where performance does not meet expectations; it is also proposed that greater leeway be afforded to better performing authorities to exercise an element of

discretion on planning fees. Within this context it is advised that it will be increasingly important that the Council seeks to align the level of resource afforded to planning with the requirements for delivering a level of performance that compares well with the National average.

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NOTABLE INDICATORS

INDICATOR REF: CHN11 - Proportion of Pupils Entering Positive Destinations	
ABC RANK POSITION: 9th Equal	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
94.70% ⬆	**93.70%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.94%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: .43%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.76%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.00%

INDICATOR REF: CHN20a - School Exclusion Rates – per 1,000 pupils	
ABC RANK POSITION: 6th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
15.79 ⬇	**26.84** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -23.36%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.32%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -53.59%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -32.90%

INDICATOR REF: CHN8a - The Gross Cost of "Children Looked After" in residential based services per child per week	
ABC RANK POSITION: 3rd	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
£2,259.6 ⬇	**£3,404.3** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -12.65%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -2.25%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -15.30%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 10.13%

Appendix 2 – Notable Indicators.

INDICATOR REF: CHN8b - The Gross Cost of "Children Looked After" in a community setting per child per week	
ABC RANK POSITION: 12th	ABC TREND FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
£235.8 ⬇	**£312.7** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -15.61%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 4.89%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 72.42%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 38.85%

INDICATOR REF: CORP 4 - The cost per dwelling of collecting Council Tax	
ABC RANK POSITION: 7th	ABC TREND FOR TWO MOST RECENT YEARS: ⬇
ARGYLL AND BUTE	**SCOTLAND**
£6.90 ⬇	**£9.00** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -7.16%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -15.14%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -47.85%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -40.91%

INDICATOR REF: ECON 4 - % of procurement spent on local small/medium enterprises	
ABC RANK POSITION: 3rd	ABC TREND FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
37.3% ⬆	**20.3%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 14.16%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.18%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 27.94%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -4.58%

Appendix 2 – Notable Indicators.

INDICATOR REF: CORP 6a - Sickness Absence Days per Teacher	
ABC RANK POSITION: 19th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬇
ARGYLL AND BUTE	**SCOTLAND**
5.9 ⬇	**6.1** ➡
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -13.77%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.54%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -24.72%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -8.21%

INDICATOR REF: CORP 2 - Cost of Democratic Core per 1,000 population	
ABC RANK POSITION: 27th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
£49,397 ⬇ **(DRAFT)**	**£30,213** ⬇ **(DRAFT)**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 11.33%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -5.29%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 880.98%*	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -17.91%

INDICATOR REF: SW3 - % of people 65+ with intensive needs receiving care at home	
ABC RANK POSITION: 5th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬇
ARGYLL AND BUTE	**SCOTLAND**
44.1% ⬇	**35.3%** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -7.25%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.35%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 20.51%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 9.45%

Appendix 2 – Notable Indicators.

INDICATOR REF: C&L2 - Cost Per Library Visit	
ABC RANK POSITION: 31st	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
£4.29 ⬇	**£1.97** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -13.24%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -21.18%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -28.59%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -47.40%

INDICATOR REF: C&L3 - Cost of Museums per Visit	
ABC RANK POSITION: 2nd	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
£0.4 ⬇	**£3.2** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -64.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 1.08%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 41.03%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -31.89%

INDICATOR REF: ENV1a - Net cost per Waste collection per premises	
ABC RANK POSITION: 8th	**ABC TREND FOR TWO MOST RECENT YEARS:** ➡
ARGYLL AND BUTE	**SCOTLAND**
£54.1 ⬇	**£64.5** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.18%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.74%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 12.27%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 2.77%

Appendix 2 – Notable Indicators.

INDICATOR REF: ENV2a - Net cost per Waste disposal per premises	
ABC RANK POSITION: 32nd	**ABC TREND FOR TWO MOST RECENT YEARS:** ➡
ARGYLL AND BUTE	**SCOTLAND**
£177.4 per premise ⬇	**£98.8 per premise** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.87%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 12.45%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 0.75%

INDICATOR REF: ENV3a - Net cost of street cleaning per 1,000 population	
ABC RANK POSITION: 8th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
£9790.0 ⬇	**£14,430.8** ⬇
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -11.50%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -8.62%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -21.00%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -33.91%

INDICATOR REF: ENV3c - Cleanliness Score (%age Acceptable)	
ABC RANK POSITION: 11th	**ABC TREND FOR TWO MOST RECENT YEARS:** ⬆
ARGYLL AND BUTE	**SCOTLAND**
95.2 ⬆	**93.9** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 7.85%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.54%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.83%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.57%

Appendix 2 – Notable Indicators.

INDICATOR REF: ENV4a - Cost of maintenance per kilometre of roads	
ABC RANK POSITION: 4th	**ABC TREND FOR TWO MOST RECENT YEARS:** ↓
ARGYLL AND BUTE	**SCOTLAND**
£5395.0↑	**£10,307.6**↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.87%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -0.03%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -48.24%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -22.32%

INDICATOR REF: ENV7a - % of adults satisfied with refuse collection	
ABC RANK POSITION: 20th	**ABC TREND FOR TWO MOST RECENT YEARS:** ↓
ARGYLL AND BUTE	**SCOTLAND**
70.0% ↓	**79.0%** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -21.35%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.66%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -21.52%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -2.35%

INDICATOR REF: ENV7b - % of adults satisfied with street cleaning	
ABC RANK POSITION: 10th	**ABC TREND FOR TWO MOST RECENT YEARS:** ↑
ARGYLL AND BUTE	**SCOTLAND**
78.0% ↓	**70.0%** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -3.70%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -4.11%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -1.52%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -4.50%

Appendix 2 – Notable Indicators.

INDICATOR REF: ECON 1 - Percentage of Unemployed People Assisted into work from Council Funded/Operated Employability Programmes	
ABC RANK POSITION: 32ⁿᵈ	**ABC TREND FOR TWO MOST RECENT YEARS: →**
ARGYLL AND BUTE	**SCOTLAND**
0.9% ⬇	**14.0% ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -18.57%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.14%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -95.41%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 53.45%

INDICATOR REF: ECON 5 - No of business gateway start-ups per 10,000 population	
ABC RANK POSITION: 28ᵗʰ	**ABC TREND FOR TWO MOST RECENT YEARS: ⬆**
ARGYLL AND BUTE	**SCOTLAND**
11.9 ⬇	**16.6 ⬇**
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -10.59%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -1.74%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 4.06%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -12.66%

Appendix 2 – Notable Indicators.

INDICATOR REF: CORP ASSET1 - Proportion of operational buildings that are suitable for their current use	
ABC RANK POSITION: 29th	**ABC TREND FOR TWO MOST RECENT YEARS:** ↓
ARGYLL AND BUTE	**SCOTLAND**
72.7% ↑	**79.8%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 2.23%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 0.24%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 11.99%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 8.28%
INDICATOR REF: CORP ASSET2 - Proportion of internal floor area of operational buildings in satisfactory condition	
ABC RANK POSITION: 11th	**ABC TREND FOR TWO MOST RECENT YEARS:** ↑
ARGYLL AND BUTE	**SCOTLAND**
92.1% ↑	**84.5%** ↑
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.93%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: 3.67%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 15.13%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: 3.92%

INDICATOR REF: ECON 2 - Cost per application	
ABC RANK POSITION: 1st	**ABC TREND FOR TWO MOST RECENT YEARS:** ↑
ARGYLL AND BUTE	**SCOTLAND**
£2,799 ↓	**£4,635** ↓
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -44.92%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -6.97%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -57.18%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -15.09%

Appendix 2 – Notable Indicators.

INDICATOR REF: ECON 3 - Average Time Per Commercial Planning Application	
ABC RANK POSITION: 18th	ABC TREND FOR TWO MOST RECENT YEARS: ⬆
ARGYLL AND BUTE	**SCOTLAND**
9.2 ⬇	**9.3** ⬆
PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -23.52%	PERCENTAGE CHANGE FOR TWO MOST RECENT YEARS: -16.80%
PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -14.14%	PERCENTAGE CHANGE FROM BASE TO LAST YEAR: -28.15%

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Agenda Item 16

ARGYLL AND BUTE COUNCIL	**AUDIT AND SCRUTINY COMMITTEE**
CUSTOMER SERVICES	**19 JUNE 2018**

LOCAL GOVERNMENT IN SCOTLAND CHALLENGES AND PERFORMANCE 2018

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1. **SUMMARY**

    1.1 The Accounts Commission recently published its report on Local Government in Scotland Challenges and Performance 2018.

    1.2 The report is provided to members for their information with a high level summary of areas of interest for the Audit and Scrutiny Committee.

Recommendations

That the Audit and Scrutiny Committee:

- Notes the report by the Accounts Commission.

- Endorses the view the Council is taking action in both its improvement and transformation agendas to address the issues in the recommendations section.

Douglas Hendry
Executive Director – Customer Services

ARGYLL AND BUTE COUNCIL   **AUDIT AND SCRUTINY COMMITTEE**

CUSTOMER SERVICES   **19 JUNE 2018**
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LOCAL GOVERNMENT IN SCOTLAND CHALLENGES AND PERFORMANCE 2018

2. SUMMARY

2.1   The Accounts Commission recently published its report Local Government in Scotland – Challenges and Performance 2018.

2.2   The report sets out the main challenges that are shared by local government in Scotland and makes a series of recommendations for councils. These are set out in the report and are areas that the Council is taking into account as part of its ongoing improvement and transformation programmes.

3. RECOMMENDATIONS

It is recommended that the Audit and Scrutiny Committee

3.1   Notes the report by the Accounts Commission.

3.2   Endorses the view the Council is taking action in both its improvement and transformation agendas to address the issues in the recommendations section.

4. **Main issues**

4.1   The Accounts Commission report *Local Government in Scotland – Challenges and Performance 2018* summarises the key challenges facing councils as:
- Councils' increasing use of reserves to support forecasted funding gaps,
- Workforce reduction and the need for robust workforce planning to ensure Councils have the right people with the right training and skills to deliver their priorities, and
- The vital need for transformational change in response to reductions in funding.

4.2   The report notes that Councils generally demonstrate good medium-term planning. However, more work needs to be done to link budgets to plans and outcomes, establish sustainable long-term (beyond 5 years) planning arrangements and demonstrate that outcomes and strategic priorities are being delivered. Argyll and Bute Council adopted its medium to long term financial strategy in October 2017. This identifies the key risks for the Council and the strategic principles that have been and are being put in place to manage budget pressures and support transformational change.

4.3 Reducing workforce size is one of the main ways Councils have reduced spending with staff numbers continually reducing every year since 2009. This has led to a reduction of over 31,000 staff across local government in Scotland in the period up to 2017. This is a 14% reduction. The report highlights that staff reductions need to be managed by robust workforce planning which recognises the complex requirements of Council service delivery. Statistical sources show Councils have an aging workforce with indicators pointing to a mid to late 40's age range as a median age for staff. Compounding concerns about the age of the workforce, many Councils have recorded a struggle to recruit and retain employees, especially within specific specialisms and professional roles. It is therefore vital that Councils ensure staff are appropriately trained and have the necessary skills to deliver the services required. Argyll and Bute Council has an older than average workforce, with 48% of employees aged over 50 and a very small proportion of staff in the 18-25 age group. This presents a long term risk to the Council, notwithstanding the removal of the default retirement age. The Council agreed its Strategic Workforce Plan, which contained service level detail, in April 2018. This sets out a programme from 2018-2022 which recognises the Council's important role as an employer in the area. The plan sets out an approach which will support the organisation to manage its people resource within budget, provide opportunities for young people, support skills development to enable transformational change, meet external policy demands such as 1140 Early Learning and Childcare and provide flexibility and growth amongst our existing workforce.

4.4 The Accounts Commission states that significant transformational programmes which radically change service provision and delivery in a way suited to communities are essential. Transformational changes are seen as a key component to achieve spends within targets. The report highlights a variety of transformational approaches across Councils, cautioning that change must be appropriately planned delivered and achieves the outcomes anticipated. The Council's Transformation Board is taking forward learning in a range of transformational and business/commercial approaches to underpin change in the organisation. This forum is cross departmental and has had some notable successes in delivering savings and changes. Exhibit 10 in the report identifies changes to recycling cost and rates. Following a transformational change in the approach to recycling implemented in 2017, the Council shows a reduced cost for recycling and a small increase in the amount of waste recycled, indicating positive change. Transformation is limited, however, in the provision of some services, such as Primary School education, where the remoteness of our communities means that costs of per pupil education is high. The Council continues to work to balance the quality of our services with the most efficient means of delivering them.

4.5 Digital solutions are identified as a potential way of delivering savings and achieving effective services by supporting customers to self serve. The report examines the different approaches of Councils, highlighting the support available to Councils from digital partnerships and peer support programmes.
The report cautions Councils on the need to maintain a balanced delivery of service through digital and traditional approaches to ensure can be accessed by all users. Argyll and Bute Council has an excellent track record of using ICT

to overcome geographical challenges through both employee flexible and remote working and by ongoing channel shift and digital customer engagement. This is delivered as a complement to face to face service points in key settlements and on islands is informed by a high level of awareness of balancing digital with face to face needs with regard to inclusion. The report also recognises the challenges of delivering care to our aging population and, with our geographical challenges, the implementation of improved technology through TEC (Technology Enabled Care) is an important area for development that the Council is taking forward as part of the Argyll and Bute Health and Social Care Partnership.

4.6 The report highlights the importance of understanding demographics in the area to plan services. Argyll and Bute has experienced population decline over a prolonged period and it was this driver that resulted in the development of the Argyll and Bute Outcome Improvement Plan objective of creating economic success built on a growing population. This approach underpins our Corporate Plan and the Council's priorities. Population analysis informs our service delivery decisions and we are particularly aware of this in relation to our older than average population. This report highlights the issue of depopulation in the western regions of Scotland. The Council is already taking action on through political lobbying and partnership working to identify the underlying reasons for and potential solutions to this issue.

4.7 Working with Communities is another area of action recommended by the report. Argyll and Bute has a strong and effective Community planning partnership and community engagement is currently at the heart of the Chief Executive's 'Big Listen' in communities across Argyll and Bute. The outcome from these will inform our approach to the local governance review going forward.

4.8 In conclusion, the Council is well placed to deliver on the recommendations in the report and has a good track record of delivering on change and budget challenges.

5.0 IMPLICATIONS

5.1 Policy   The report sets a context for Best Value
5.2 Financial   The report sets out the financial future for local government
5.3 Legal   None
5.4 HR   None
5.5 Equalities   None
5.6 Risk   None
5.7 Customer Service None

Douglas Hendry Executive Director – Customer Services

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Local government in Scotland

Challenges and performance 2018

ACCOUNTS COMMISSION

Prepared by Audit Scotland
April 2018

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

*   securing and acting upon the external audit of Scotland's councils and various joint boards and committees
*   assessing the performance of councils in relation to Best Value and community planning
*   carrying out national performance audits to help councils improve their services
*   requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Links

⬇ PDF download

⬈ Web link

📊 **Exhibit data**

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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These question mark icons appear throughout this report and represent questions for councillors.

Audit team

The core audit team consisted of:
Carol Calder, Sally Thompson, Claire Richards, Ashleigh Madjitey and Ruth Azzam, with support from other colleagues and under the direction of Ronnie Nicol.

Chair's introduction

This year's local government overview report, *Local government in Scotland: Challenges and performance 2018*, complements the Commission's *Local government in Scotland: Financial overview 2016/17* ⊕ published in November 2017. This overview focuses on the wider challenges and issues facing councils as well as their performance and the impact of reduced financial resources.

Councils continue to face challenges on a number of fronts, not least the challenge of continuing to deliver a wide range of services to local communities with reducing budgets. Councils have done much to reduce spend and at the same time continue to deliver services for their local communities. Transformational change is increasingly important to councils as they seek to improve local outcomes with less money. Implementing successful transformation is not easy and audit work shows progress across the 32 councils is mixed. The scale of the challenge means the pace of change needs to improve in some councils. Successful transformation requires robust planning, clear and coherent leadership and suitably skilled staff. Some councils may need to invest in the short term to save in the long term.

Another challenge is the changing landscape in which councils operate. These changes introduce significant uncertainty as well as increasing complexity. For example, the UK's decision to leave the European Union could have a significant impact on Scotland's councils, but the detail of this is not known. Both Scottish Government's review of education and of local governance could have a significant impact on the role councils play, but again the details are not yet evident. Similarly, the creation of economic partnerships could impact on each council's role in the important area of economic regeneration and growth.

The Accounts Commission recognises the difficulties such uncertainty and pressure bring to councils and the added challenge these represent for medium and long-term planning. However, these same uncertainties mean that planning has never been more important. Robust plans that project how council outcomes and priorities will be delivered and funded within reducing budgets are essential to ensure the sustainability of services for the public.

Last year was the first full operational year for Integration Joint Boards. This represented a major shift for local government and it is clear that councils, and their IJB partners, have a significant task in providing social care and support for those in need.

The impact of increasing social care demands from an ageing population on council budgets is clear and means a higher proportion of council money being spent on social care services. This has reduced the amount councils have to spend on other areas and going forward, this has the potential to cause tensions between local and national priorities and risk the viability of some services.

Good work is being done across local government, and there is much councils can learn and share with each other. Looking ahead, councillors and senior management, working closely with their communities, will continue to be faced with difficult decisions on where limited resources should be allocated. It is now more important than ever that these decisions are taken in a planned and coordinated way, and that the impact of decisions on communities and outcomes is transparent and understood.

I hope you find this overview useful, and would welcome any feedback you may have.

Graham Sharp
Chair of the Accounts Commission

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Summary
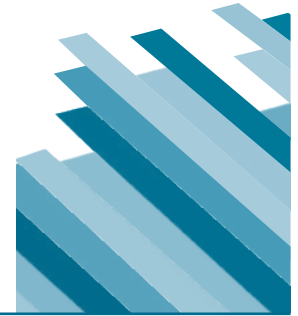
Key messages

1 Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.

2 Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.

3 Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.

4 Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made

clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

Recommendations

While councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. Effective leadership and robust planning is more important than ever to ensure council services remain sustainable.

Councils should ensure they are continuously improving their work in key areas by:

- looking to the future:

  – continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes

  – using this information to inform council priorities

  – developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users

  – considering how to make the most of new technology, for example streamlining processes and communicating differently with service users

- working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment

- focusing on the delivery of priority outcomes through:

  – working with communities to understand their needs

  – establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities

  – clearly linking budgets to plans and outcomes

- establishing robust change strategies and developing realistic plans for transforming services, which incorporate:

  – effective leadership and good governance arrangements

  – robust options appraisal

  – strong financial management

  – properly scoped and resourced plans

- ensuring change strategies are supported by:

    - realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities

    - effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services

    - income generation plans

    - workforce and member support, training and development

- evaluating and reporting:

    - the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality

    - using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.

About this report

1. This report provides a high level, independent view of the challenges facing councils in Scotland, how councils are responding to these challenges and how service performance has been affected. It draws on findings from *Local Government in Scotland: Financial Overview 2016/17* ⊕, local government audit work in 2017 (including annual audits, Best Value Assurance reports and national performance audits) and published performance data. All national and individual council audit reports are available on our website ⬛.

2. The report is not intended to be a comprehensive review of all issues facing councils. It highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. Where specific examples of council activities or circumstances are referenced, the implication is not that the named councils are the only ones engaging in these activities or experiencing these circumstances. The report is intended to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles. It covers three areas:

- Part 1, the current and future challenges facing councils.

- Part 2, how councils are responding to these challenges.

- Part 3, the impact on performance in key service areas and public satisfaction.

3. The 2017 local government elections resulted in many new councillors and changes to the political make-up of councils. To help councillors, we have produced the following supplements to accompany this report.

- A scrutiny tool for councillors – this has example questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors should feel

they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council.

- **An interactive online tool** ⬚ which contains performance information for individual councils. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others.

4. Where possible we have used financial information from Scottish Local Government Statistics as these provide a breakdown of spending by service. Where this has not been possible we have used figures from councils' annual accounts. We refer to real-term changes in the report, meaning that financial figures are adjusted for inflation. Our analysis of local government funding adjusts figures into 2018/19 prices to reflect the current year. Where the report focuses on council performance in 2016/17, figures have been adjusted to 2016/17 prices.

Part 1

The challenges for councils

Key messages

1 Councils are operating in a complex, changing and increasingly uncertain environment. The sector faces potentially significant change from the UK's decision to leave the European Union. The review of local governance announced by the Scottish Government and COSLA aims to give people more say in local decision-making, and may have a significant impact on councils.

2 Council revenue funding from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. This has presented councils with a major challenge in delivering services and making savings. However, some national policies, and ongoing spending commitments such as pension and debt costs, mean there are limitations on where councils can make savings. Smaller service areas, which often include important regulatory functions, have seen the biggest budget reductions, while education and social care services take up a growing proportion of council spend.

3 Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services. Population change brings different challenges to different councils and also has financial implications. Under current arrangements, some councils can expect to see Scottish Government funding fall further than others as their total population declines, while their older population grows and demand for services increases.

4 New legislation involves councils developing fresh approaches to community empowerment. There are some examples of good work taking place, including new ways in which councils consult with, listen to and work with local people and communities. However, they are still at the early stages of realising the ambitions of the Community Empowerment Act and there are signs that these approaches do not reach everyone. In 2016, only 23 per cent of adults agreed that they can influence decisions affecting their local area.[1]

Councils are operating in an increasingly complex and uncertain landscape

5. Councils provide a wide range of important services for local residents and communities. Increasingly councils are working in partnership with other public, private and third sector organisations as they work to find the best way to deliver services in the future.

6. In recent years, the role of Scotland's councils and the services they provide have been subject to significant legislative and national policy changes from UK and Scottish governments. Some changes increase expectations on or duties of councils. Some change councils' role. Some have significant financial implications, while the implications of others are not clear. All of this means additional work for councils to understand these changes and manage and implement them accordingly Exhibit 1

Have you considered how policy and legislative change will affect how your council operates?

Exhibit 1

Implications for councils of key UK and Scottish legislative and policy changes
Legislative and policy changes often lack clarity or detail but can require substantial change.

⬆ Increased expectation   🔄 Change the role of council   ❓ Lack of clarity   💷 Financial implications

Implication	Changes			
	⬆	🔄	❓	💷
Withdrawal from the European Union Impact of UK's decision to leave the European Union (EU) is unknown but could be significant for councils in terms of funding (Scotland has been allocated € 940 million in funding from the EU for 2014 to 2020) and workforce (19,000 EU nationals are employed in education, health and public administration).[1,2]			✓	✓
City region deals and growth deals In its 2017/18 programme, the Scottish Government committed over £1 billion over the next ten to 20 years to five city region deals (Aberdeen, Edinburgh and the South East, Inverness, Glasgow, Stirling and Tay Cities).[3] The UK Government and councils are also contributing significantly to the deals. City deals will require strong partnership working between councils and a wide range of public and private partners. Councils will need to determine roles and responsibilities, accountability and performance reporting. We will report on city deals in 2019/20.	✓	✓	✓	✓
Integration of health and social care All integration joint boards (IJBs) were operational in 2016/17. IJBs are responsible for commissioning health and social care services, so councils are no longer wholly responsible for social care services. Arrangements for financial planning, budget monitoring, risk and performance management vary and continue to evolve. We will audit the effectiveness of health and social care integration in 2018.	✓	✓	✓	
Education reform The Scottish Government aims to create a school and teacher led education system, where decisions and funding will be at school level and Regional Improvement Collaboratives (RICs) will provide support to schools. Under proposals, councils would retain their duty to improve the quality of school education but would do this through the RICs rather than directly. It is not clear yet how this would affect councils' roles in education or their ability to scrutinise performance. The financial implications of these proposals for councils are also unclear. The Scottish Government has also consulted on the funding model for school education.	✓	✓	✓	

Cont.

Exhibit 1 (continued)

	Increased expectation		Change the role of council		Lack of clarity		Financial implications

Implication	Changes			
	⬆	🔄	❓	💷
Barclay review of non domestic rates (NDR) In 2017/18, NDR made up 28 per cent of revenue funding from Scottish Government to councils. In August 2017, the Barclay review published 30 recommendations on NDR to better support business growth and long-term investment, and to better reflect changing marketplaces. The Scottish Government accepted most of the recommendations. There are expectations that implementing these could cost an additional £80 million a year. It is not yet clear who is responsible for these costs.[4]			✓	✓
Enterprise and skills review The Scottish Government's review of the enterprise and skills system in 2016 recommended the creation of regional economic partnerships be led by councils. The implementation of this is still at an early stage but changes will impact on councils' work to support local businesses and business gateways.	✓	✓	✓	
Early Learning and Childcare The Scottish Government is committed to extending free childcare for all three-and four-year-old children and some two-year-olds from 600 hours to 1,140 hours by 2020. Councils had to produce plans for the expansion by September 2017 without knowing the full details about funding or how the scheme will work. Our report *Early learning and childcare* ⭳ found that there are significant risks that councils will not be able to deliver the additional hours by 2020.[5]	✓		✓	✓
Community Empowerment Act See paragraphs 8 to 13 below	✓	✓		
Named Person provision Under current Scottish Government plans every child in Scotland would have a named person responsible for helping them get the support they need. In many cases, these will be teachers. However, there are delays to the scrutiny of the Bill introducing the named person provision after the Supreme Court ruling against the scheme in July 2016.	✓	✓	✓	✓
Local Governance review The Scottish Government aims to strengthen local decision-making and democratic governance in ways that improve outcomes for local communities and give greater control to those who live and work in the area. The Scottish Government and COSLA launched a review in December 2017 to consider how decisions are made about Scotland's public services with the aim of devolving more power to communities. The review's findings will contribute to a Local Democracy Bill which will be introduced before the end of the Parliament in 2021.	✓	✓		

Cont.

Exhibit 1 (continued)

	Increased expectation		Change the role of council		Lack of clarity		Financial implications

Implication	Changes			
	⬆	↻	❓	£
Islands Bill	✔	✔		
The Islands (Scotland) Bill was introduced to the Scottish Parliament in June 2017. It contains a number of measures to ensure a sustained focus on the needs of Scotland's island communities.				
Once in place, the Islands Bill will require public bodies to prepare an Island Impact Assessment when introducing new or revised policy, strategies or services that may impact island communities differently to other communities. This will require councils to identify the direct and indirect consequences and adjust their proposals accordingly. They will also be required to report every year on the impact of island proofing on their functions.				
Scottish Crown Estate Bill	✔	✔		✔
Crown Estate assets include most of the seabed, 590 square kilometres of foreshore, rural land, commercial property and the rights to wild salmon fishing and naturally occurring gold and silver.				
The Scottish Crown Estate Bill allows public bodies, including councils and community organisations, to manage the Crown Estate in Scotland. The Crown Estate will remain property of the Queen and any revenue will be paid to the Scottish Government.				
This would be an additional role for councils to manage which is likely to have financial and staffing implications.				

Notes:
1. European funding in Scotland 2014-20, Scottish Parliament Information Centre, November 2016.
2. EU nationals living in Scotland, Scottish Parliament Information Centre, November 2016.
3. A Nation With Ambition: The Governments Programme for Scotland 2017/18.
4. Debate in Scottish Parliament, 12 September 2017.
5. *Early learning and childcare* ⬇, Audit Scotland, February 2018.

Source: Audit Scotland

Councils and their partners are developing fresh approaches to empowering local communities and actively involving them in making decisions

7. Councils are now required to fulfil the expectations of the Community Empowerment Act (Scotland) 2015. This seeks to ensure communities are actively involved in deciding how public services are planned and provided and seeks to empower community bodies through transferring ownership of land and buildings. It intends to enhance outcomes for communities by improving the process of community planning, involving communities at all stages and ensuring that local service providers work with communities to meet the needs of the people using the services.

8. Community empowerment is a complex area and will require new ways of thinking about what constitutes good and effective community empowerment and how to work most effectively with the range and diversity of local communities. Underpinning

❓

How are you involving local communities and empowering them to design and deliver services that suit local need?

14 |

the Act is the intention to reduce inequalities. The Act could have staffing and funding implications as councils seek to work more closely with disadvantaged harder-to-reach groups or could provide savings where communities take over council services. Public sector partners will benefit from working together and sharing their learning experiences across sectors and organisations where possible.

9. All Community Planning Partnerships (CPPs) published a Local Outcome Improvement Plan (LOIP) for the first time in October 2017 setting out their local priorities. It will be important for CPPs to use a robust evidence base to target those groups of people in greatest need and reduce inequalities. Clackmannanshire Council and its partners worked closely with communities in developing the new LOIP. This includes a more focused set of priorities for specific geographic areas and particular groups of people such as children and women and these will provide a clear basis for prioritising resources in the future.[2] It is too early to assess the full impact of LOIPs. The Improvement Service will publish an overview of LOIPs in 2018, summarising the LOIPs and identifying good practice.

10. Best Value Assurance reports (BVARs) show that councils are committed to community empowerment and there are some examples of good work taking place. However, they are still at the early stages of realising the ambitions of the Act. Councils will need to continue to develop their approaches to community empowerment and there is some evidence that there is room for improvement. For example, in 2016 only 23 per cent of adults agreed that they could influence decisions affecting their local area; this figure has remained relatively static since 2009.[3]

11. Councils continue to use mainly traditional approaches of community engagement to find out local people's views, for example citizen's panels and periodic consultations on specific issues. However, there is also evidence that councils are starting to engage differently with their communities. Orkney Islands Council is providing a closer link with remote communities through its Empowering Communities project. The council funds two pilot 'Island Link Officers' on the islands of Papa Westray and Stronsay and has established a 'community office' on each island. This gives communities more influence on policies, decisions and services that affect them and also enables services to be more efficient and responsive to local issues and needs.

12. In addition to the Act, the Scottish Government and COSLA announced that by 2022 communities would decide how at least one per cent of local government budgets (around £100 million) will be spent. Councils are already adopting a range of approaches. For example, East Renfrewshire Council has set aside a £600,000 repair fund for residential roads. Community participants have ranked their top two preferences for which roads should be repaired first. Glasgow's Participatory Budgeting Evaluation Group, PB Consulting and What Works Scotland have produced a range of participatory budgeting guides and an evaluation toolkit to help councils.

The 2017 local government elections resulted in significant changes for councils

13. The 2017 elections resulted in significant changes for councils:

- A large number of councillors elected were new to the role. In some councils, for example City of Edinburgh Council, more than half of councillors were new.

- Three-quarters of councils are now run by different political groupings.

Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?

- There is no single majority political party in charge in any council - 16 councils are run by coalitions and 13 are minority administrations. The three island councils have a majority of independent councillors.

- For the first time since 1997, three political parties each have over 20 per cent of the vote.

14. These changes can bring additional pressures affecting how a council operates, during the transition period from one administration to another, or as political arrangements are established and bed in. Indeed, the administrations established in both Clackmannanshire and East Dunbartonshire Councils following the elections resigned during 2017. Having no single majority party in a council will often require more complex negotiations in the decision-making process to ensure sufficient support across all councillors. Whatever the result of democratic elections, councillors must continue to work together with senior management to address their corporate responsibilities in running a complex organisation that faces significant challenges in service delivery.

15. One of the Accounts Commission's strategic priorities relates to councillors having the right knowledge and skills to scrutinise council performance and decision making. This is particularly important for councils with a large number of new councillors with no experience of the role. Our BVARs show that councils were generally providing significant amounts of training for councillors. However, it is essential that councillors attend the training offered to gain the benefits intended, and there is evidence that attendance at training sessions is poor in a few areas.

16. It is important for a healthy democracy that councils represent and reflect the make-up of their communities in terms of gender, ethnicity and other socio-demographic characteristics. Yet, only 30.5 per cent of councillors elected in May 2017 were female and Comhairle nan Eilean Siar had no female councillors.[4] Female representation at council level is below that at the Scottish Parliament (36 per cent) and UK Parliament (32 per cent). National data is not available on ethnicity and other socio-demographic characteristics of councillors. However, councils should explore how representative their elected bodies are and what, if anything, they can do to improve this.

Scottish Government funding has fallen in real terms in recent years and it is more difficult to make savings in some areas

17. Scottish Government funding is the largest source of income for councils. Revenue funding, that is funding for day-to-day services, from the Scottish Government increased by 0.2 per cent in real terms from £9,793 million in 2017/18 to £9,814 million in 2018/19. Between 2010/11 and 2018/19, revenue funding has fallen by 9.6 per cent in real terms.[5]

18. The reductions in funding from the Scottish Government present councils with a major challenge to continue to make savings and deliver services at current levels. However, there are limitations in where and how councils can make savings. For example, councils must make repayments on their borrowing and meet employee pension costs each year.

19. Councils and IJBs also deliver key Scottish Government policies and priorities, such as in education and free personal care for older people. Councils must spend some of the money they receive delivering these priorities. For example, the Scottish Government provided £51 million in 2017/18 to councils, on the basis

Do you know what training is available to help you fulfil your duties?

Does the training meet your needs? If not, do you know who to speak to?

that it would be spent on helping to maintain teacher-pupil ratios. The amount of money not for specific purposes has fallen at a faster rate than total revenue funding (10.5 per cent compared to 9.6 per cent since 2010/11). This could cause tensions for councils in delivering local and national priorities.

20. At the same time councils face increasing spending obligations through UK and Scottish Government policy priorities for which they do not always receive additional funding. In addition to those set out in Exhibit 1 (pages 11 to 13), there are a number of additional cost pressures:

- The end to the public sector pay cap - a one per cent increase to council staff wages would cost around £70 million a year.[6]

- The apprenticeship levy - requires a 0.5 per cent levy on organisations with wage bills above £3 million. This affects all councils and the trade union Unison estimates it could cost an additional £25 million a year.[7]

- Equal pay claims - 27 councils had 27,000 outstanding equal pay claims in September 2016. The cost to councils in settling these is unknown but could be significant.[8]

- Any future increases in national insurance contributions.

Smaller services have borne brunt of service cuts

21. In 2017/18, councils allocated 76 per cent of their budgets to education and social care services. Although it is possible to make efficiencies in these areas, national policies, specific funding and demand for services mean it is more difficult to do so. As we reported in the *Financial overview 2016/17*, the pattern has been one of larger reductions to relatively smaller service areas in recent years, although these often include important regulatory functions. Over the last five years, planning and development services have seen a 20 per cent reduction in spending and culture services 11 per cent compared with no change in real terms to social care and education spending.[9]

22. At an individual council level, North Ayrshire Council reports that it has made savings of 25 per cent to its base budget over the last eight years. This affected different services in different ways. The council has delivered savings of 16 per cent in education, 20 per cent in social care services and 50 per cent in economy and communities over this period.[10]

23. If current trends for spending on education and social care services continue, councils will have significantly less to spend on other services in future years. We have forecast councils' future spending patterns. For this, we assumed local government funding increases in cash terms in line with recent years (2012/13 to 2015/16); an increase in social care spend in line with the increased demand due to a higher number of people of a pensionable age in the population; an increase in education spend in line with recent years; and no service redesign or policy changes. This modelling shows that councils would spend 80 per cent of budgets on education and social care by 2025/26. This would leave only 20 per cent of budgets for all other council services such as road repairs, refuse collection and environmental health in 2025/26, seven per cent less than in 2011/12. planning and leisure and culture services Exhibit 2 (page 17).

Exhibit 2
Forecast of council spending patterns
Without service redesign or policy changes our modelling suggests that councils could spend 80 per cent of their budgets on education and social care by 2025/26.
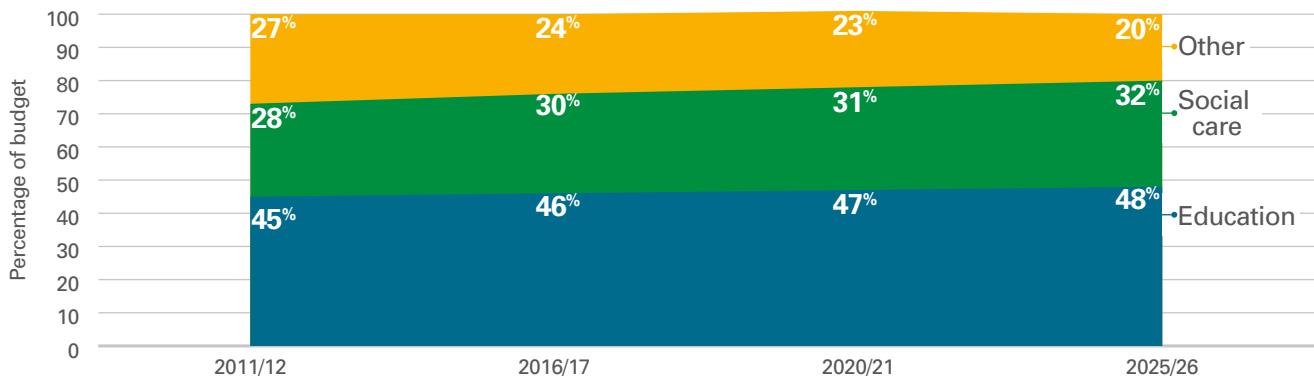
Note: Calculations are based on cash terms.

Source: *Scottish Local Government Finance Statistics 2016/17* ⬇ Audit Scotland, November 2016

Population change affects demand for services and council funding

24. Scotland's population is predicted to grow by three per cent between 2016 and 2026 and five per cent between 2016 and 2041. This growth is entirely from inward migration as deaths will outnumber births in each year. The UK's decision to leave the European Union may have an impact on inward migration which could affect the predictions, particularly for the number of working age people.[11] Scotland's population is ageing. Over the next ten years the number of people aged 75 and over is predicted to increase by 27 per cent and by 79 per cent within the next 25 years Exhibit 3 (page 18).

25. Predicted population change has significant implications:

- The sharp increase in the rise of older people is expected to lead to increased demand for social care services. The majority of over-65s in Scotland have two or more long-term conditions such as diabetes or heart disease and the majority of over-75s have three or more long-term conditions.[12] The Scottish Affairs Committee at Westminster concluded this will significantly increase demand for social care services.[13]

- There will be fewer working age people compared to people of pensionable age and school children. Working age people generate more money for public spending through taxation, while older people and children generally use more public services such as social care and education. In 2016, there were 574 people of pensionable age and school children for every 1,000 working age people. This is known as the dependency ratio. This is expected to increase to 640 people of pensionable age and children for every 1,000 people of working age by 2041.[14] The Scottish Affairs Committee also concluded that demand for funding for services for an ageing population will grow quicker than generated income due to slower growth of the working age population.

Exhibit 3
Scotland's population projections, 2016-2026 and 2016-2041
Scotland's population is predicted to age significantly.
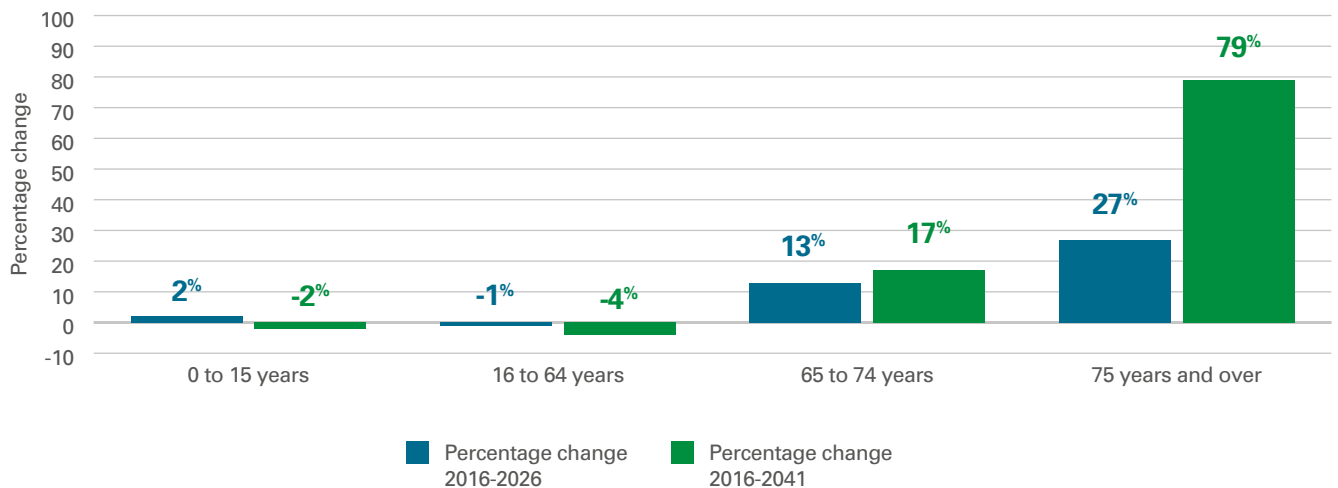
Source: National Records for Scotland, 2016 population projections

Population change brings different challenges for different councils

26. Predicted population change is not uniform across councils, meaning different councils face different challenges Exhibit 4 (page 19). Between 2014 and 2039, the population is expected to increase in 21 councils and decrease in 11. Midlothian Council is expected to see the biggest increase (26 per cent) and Comhairle nan Eilean Siar the biggest decrease (14 per cent).

27. The one constant trend across all Scottish councils is that the number of people of a pensionable age and over is expected to increase. This varies from a 48 per cent increase in West Lothian Council to an eight per cent increase in Dundee City Council. This will have differing impacts on demand for social care services.

28. In seven councils (Renfrewshire, Orkney Islands, Scottish Borders, Highland, Angus, South Lanarkshire, Moray) projected population increase is made up entirely of elderly population growth. For example in the Moray Council, the population is expected to grow by four per cent but the working age population and child population to fall by three per cent and eight per cent respectively. The population of a pensionable age and over will grow by 33 per cent over the same period.

29. There is significant variation in the predicted change in the population of children (defined as aged 0-15):

- Twenty councils are expected to see a decrease. These range from a 28 per cent reduction in Comhairle nan Eilean Siar to 0.1 per cent in Scottish Borders Council.

- Twelve councils are expected to see an increase. These range from 25 per cent in Midlothian Council to two per cent in Fife Council (Exhibit 4).

Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?

Exhibit 4

Councils face different challenges relating to population change, 2014 to 2039

Eleven councils face predicted population decline by 2039.
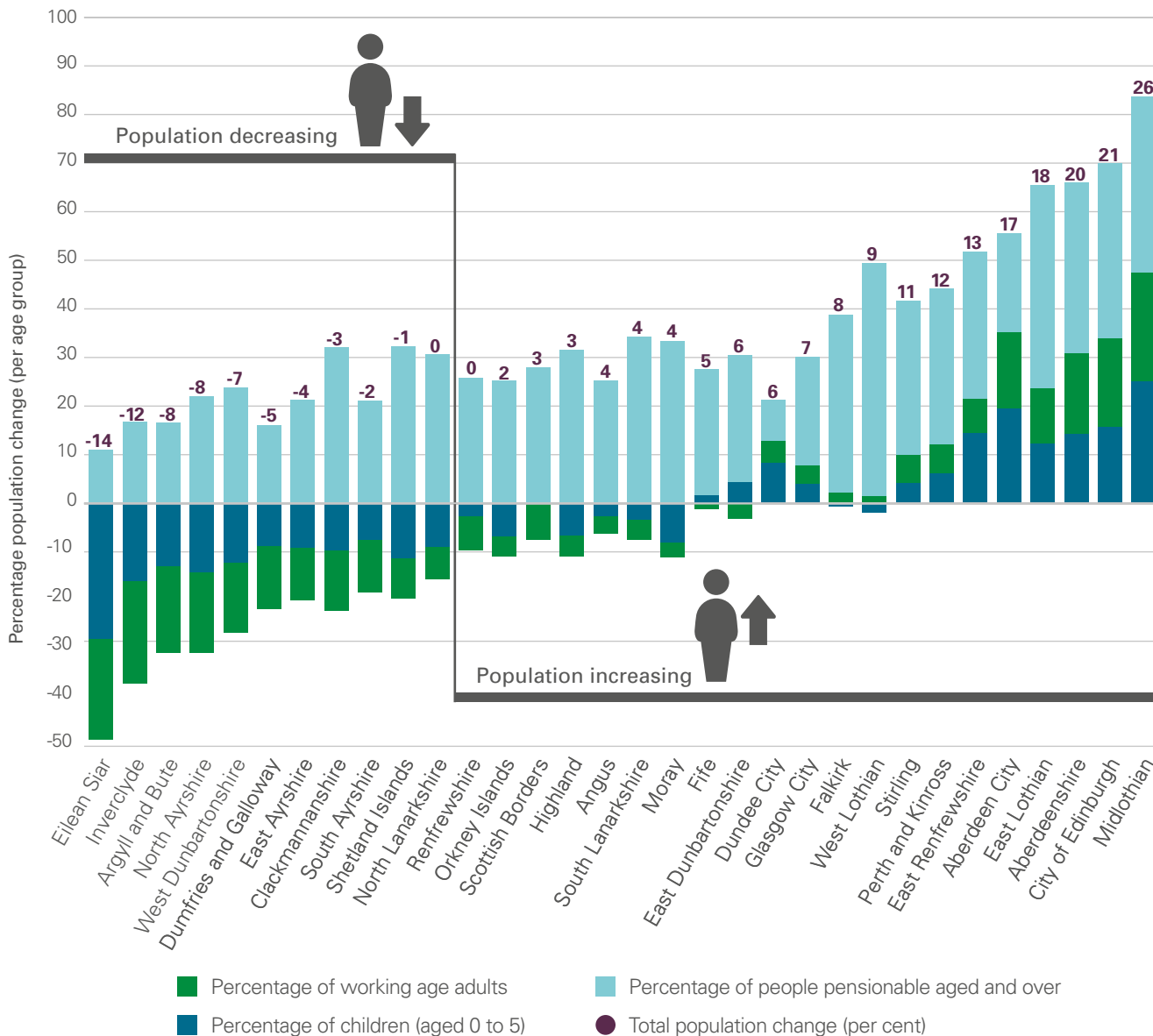
Source: National Records for Scotland, 2014 population projections; and Audit Scotland

30. Changes to the number of children will pose different challenges for councils as they continue to deliver education services. Some may have to build new schools and recruit additional teachers while others will have to manage their school property estate and teacher-pupil ratios as their school population shrinks. This will be particularly challenging for Comhairle nan Eilean Siar and other island and rural councils.

Population change also has financial implications for councils

31. The implications for councils with a decreasing population include: fewer people to pay council tax, a lack of local workforce which may make the area less attractive to businesses, and low population figures making some local services harder to sustain.

32. In our 2017 local government financial overview report, we outlined how the Scottish Government funding formula is largely based on the size of council's populations, although under proposals to review funding for education, this may change (Exhibit 5). Currently, those councils with a projected decrease in population can expect to see greater reductions to their budgets compared to councils with increasing populations.

Exhibit 5
Total population and share of key element of Scottish Government funding
The amount of funding councils receive from the Scottish Government is closely linked to their population.
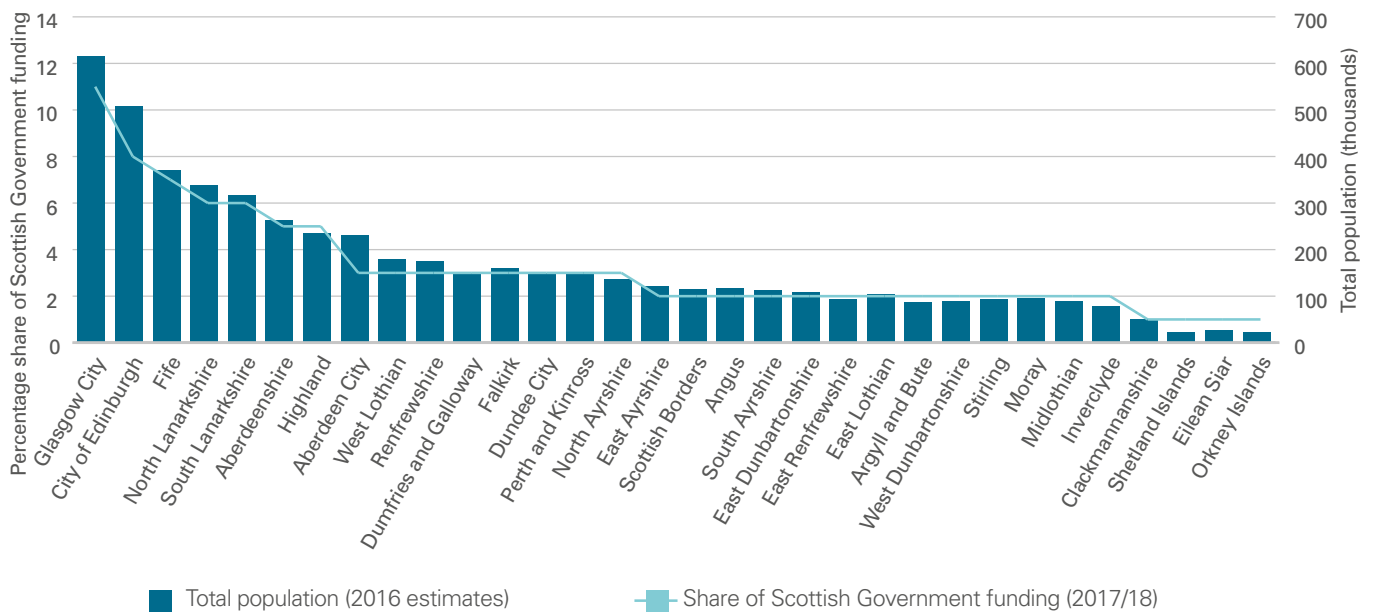
Note: Scottish Government funding is Grant Aided Expenditure and Special Island Needs Allowance.

Sources: Audit Scotland; the Scottish Government - the green books

33. However, all 11 councils which are expected to have reduced total populations are expected to have increases in the number of people of a pensionable age and over (Exhibit 4). These councils will therefore have a higher dependency ratio and a consequent increased demand for services at a time of reduced funding. Many of these councils are also rural which poses an additional challenge in delivering services as cost effectively as urban councils. We recommended in our 2016/17 local government financial overview that the Scottish Government and COSLA should assure themselves that the funding formula remains fit for purpose in a changing landscape for local government.

Part 2

Councils' response to the challenges
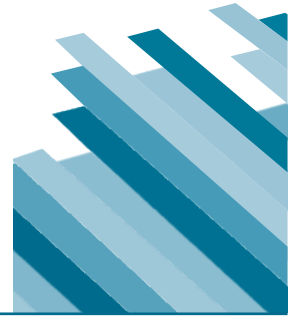
Key messages

1 Councils are increasingly using their reserves. Some councils have higher forecast funding gaps than their current levels of reserves. For these councils, the delivery of savings is critical. Long-term financial planning is not easy but is vital in helping councils deliver sustainable services.

2 Reducing staff numbers has been one of the main ways councils have reduced their spending and, in some councils, this is set to continue. Given the changes in workforce to date and the expected new demands on councils, robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities. However, not all councils have organisation-wide workforce plans and the quality of these varies.

3 Achieving transformational change is increasingly vital to councils as they respond to reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges councils face.

Councils are increasingly using their reserves and for some delivering savings is now critical

34. All councils hold reserves. These are funds that councils can spend if they need to meet an unexpected cost, bridge a gap in funding or if they wish to invest in some initiative or specific activity. A council can only use reserves once, they are not a way to sustain services year on year. As we reported in our financial overview, 19 councils drew on their revenue reserves in 2016/17, an increase from the eight councils that did so in 2015/16. In 2016/17, 13 councils used more reserves than they had planned. Overall council revenue reserves fell by about £32 million in 2016/17.[15]

35. Some council financial plans for 2017/18 relied more heavily than others on using reserves to bridge funding gaps. Forecast funding gaps remain higher than current levels of reserves for a number of councils, making the delivery of savings critical. Continuing to use reserves at the current rate is not an option for some councils as they would run out of reserves within two to three years if they continued to use them at the level planned for 2017/18.[16]

36. Robust medium-term financial strategies and savings plans are vital for the financial sustainability of councils. For councils with lower levels of reserves, financial plans need to be increasingly detailed and robust. This will mean more work for officers and members in clearly identifying achievable savings.

37. Evidence from councils' annual audit reports generally demonstrates good medium-term (three to five years) financial planning, with some councils using scenario planning to provide a range of options. However, more work needs to be done to link budgets to plans and outcomes, establish sustainable long-term (beyond five years) planning arrangements and demonstrate that outcomes and strategic priorities are being delivered.

38. The Accounts Commission recognises the challenge to medium-and long-term planning of the Scottish Government providing funding figures for a single year, without indicative figures for future years. However, the absence of indicative funding for future years should not prevent councils projecting future income and spending, and planning accordingly. Indeed, uncertainty increases the need for councils to plan ahead.

Councils have adopted a range of approaches to reduce spending and increase income

39. For most councils, achieving savings while continuing to deliver services requires a mixed approach. This includes reducing workforces and services, taking measures to increase income, and digitising services; along with more transformational changes to service delivery or stopping some services altogether. In practice, these different approaches are interdependent. Councils need effective leadership and governance, strong financial management, and a workforce with the right skills to successfully deliver change.

Reducing workforce size has been one of the main ways councils have reduced their spending but workforce planning is poor in some councils

40. Most councils have reduced their workforce in recent years.[17] Overall, staff numbers have fallen every year since 2009. Nationally, the biggest reductions in staff numbers were in the years 2009 to 2012, when the total council workforce fell by 21,000 (nine per cent).[18] Since then, overall staff numbers have continued to decrease at a relatively steady rate. Between 2012 and 2017, councils' total workforce fell by a further five per cent (10,000 staff); including a one per cent (2,500 staff) drop from 2016 to 2017.[19]

41. Our analysis by council over the period 2011–2017 suggests that some councils have relied more heavily than others on staff reductions to make savings (Exhibit 6, page 23). However, because we are unable to track staff moving to arm's-length external organisations (ALEOs), it is difficult to draw clear conclusions about changing workforce numbers nationally. For example, it is likely that the workforce reductions recorded by Highland and Scottish Borders Councils are partially due to large numbers of staff transferring to ALEOs during this period.

42. Data for quarter 3 in 2017 was the first since quarter 2 in 2008 to report an increase in staff numbers compared to the previous year.[20] However, it is too early to comment on whether this indicates any upward trend overall, and evidence from the first year of BVARs suggests that the long-term trend of reducing staff numbers to meet funding gaps is set to continue in some councils. For example Inverclyde Council has reduced its staff by just over 500 (13 per cent of workforce) in the last seven years.[21] It estimates that it will need to reduce its staff by a further 80 to 130 staff over the next two years (this is between two to four per cent of its workforce).[22] East Renfrewshire Council needs to reduce its workforce by an average of 100 staff a year over the next three years. This is around three per cent of its workforce in the first year.

Does your council have medium and long-term financial plans in place?

Does your council link budgets to plans and outcomes and report on these?

Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?

Exhibit 6
Changes in council budgets and workforce 2011 to 2017
The use of staff reductions to make savings varies across councils.

Legend: ■ Percentage change in workforce 2011 to 2017   ■ Percentage change in budget 2010/11 to 2017/18
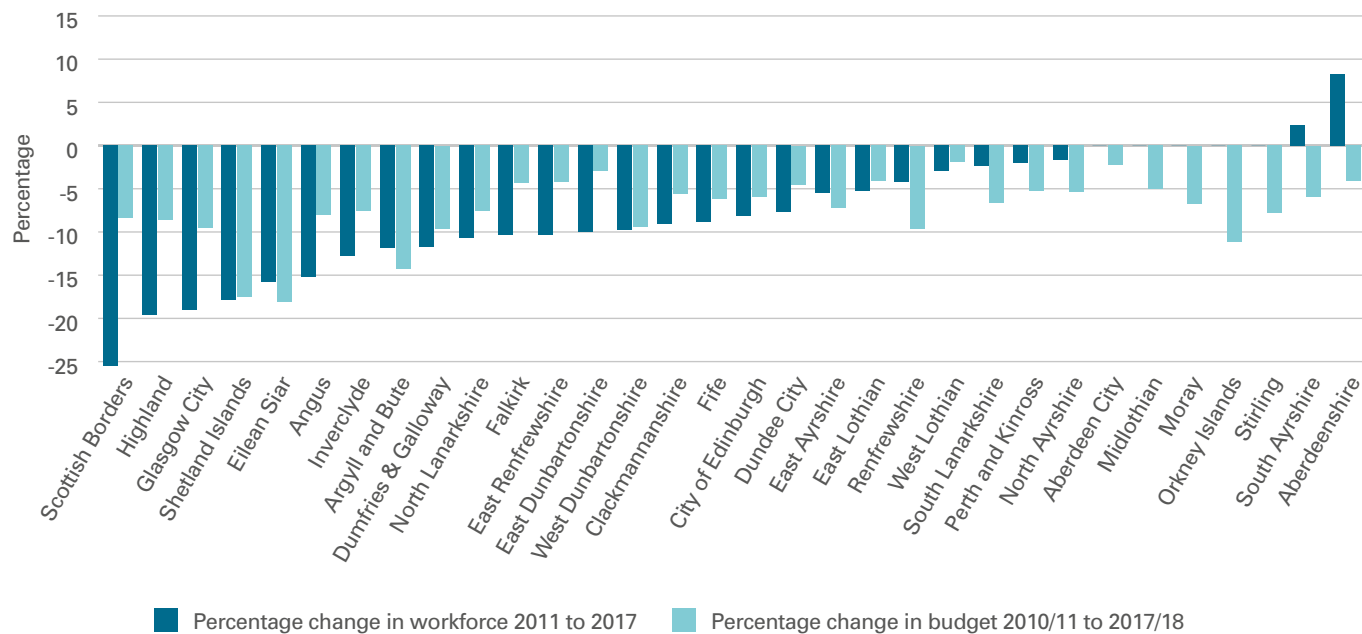
Notes:
1. Budget is defined as general revenue grant and non-domestic rates, in real terms.
2. Workforce change is from Q1 2011 to Q1 2017.

Source: Audit Scotland and Joint Staffing Watch, Scottish Government

43. It is critical that councils carefully manage workforce reductions and that each council ensures it has people with the skills required to deliver its priorities now and in the future. Workforce planning is complex and councils face a number of challenges:

- The council workforce is ageing. The Scottish Social Services Council reported that the median age amongst public sector social care employees is 48 years.[23] UNISON also report high proportions of staff over the age of 45 years in building standards, school support and home care workers.[24] Councils will need to consider if and how to replace these experienced workers.

- Many councils struggle to recruit and retain employees. Councils in rural areas report difficulties recruiting staff to some roles due to their remote location. Several councils have reported that education and social care staff are particularly difficult to recruit. Others report difficulties recruiting staff in specialist or professional roles such as engineers and accountants. Our Clackmannanshire Council Annual Audit report highlights that the council has found it difficult to recruit suitably qualified and experienced finance staff. The UK's decision to leave the European Union could create further difficulties in staff recruitment.

- Council workforces must be able to adapt to deliver council priorities and meet future challenges. National early learning and childcare commitments will have significant implications for council staffing. Councils will also need to ensure they have staff with the right skills to maximise the potential of new digital technology.

Does your council have an organisation-wide workforce plan?

Does it contain information about the numbers, costs, and skills of the actual and desired workforce?

How is your council looking to maximise income?

- Strong leadership is essential for councils to effectively manage transformation and develop new ways of delivering services within reduced budgets. Yet there can be difficulties recruiting to the top team as salaries are often lower than the private sector at senior levels.[25],[26] The Improvement Service's report on Talent Management in the Public Sector highlights that public sector bodies need to do much more to develop their approach to managing talent.[27]

44. Despite its importance, only half of councils had organisation-wide workforce plans last year.[28] Workforce plans vary in quality. For example, not all provide critical planning information, such as:

- the numbers, cost and skills of the current and the desired workforce

- how the move from the current to the desired workforce will take place and when it will be achieved.

45. Some workforce plans are short term in nature and only consider workforce needs for the current year, for example, the *Best Value Assurance Report: Inverclyde Council* ⊕ reports that longer-term forecasts need to be developed. Councils also need to ensure workforce plans will help to deliver corporate priorities, transformation plans and financial plans.

Councils have sought to increase income

46. There are opportunities for councils to raise income through council tax and fees and charges. However, there are limits on how much can be raised.[29]

47. The council tax freeze ended in 2017/18. Twenty-four councils increased council tax, including 21 that raised rates by the maximum three per cent allowed by the Scottish Government. This rise increased council income by around £53 million.[30] Proportionately this represents a small increase to council budgets. It is possible that public satisfaction with services will decline if the service delivered is not perceived to improve in line with higher taxes.

48. It is difficult to accurately tell how much income is generated through fees and charges in Scotland. The Scottish Parliament Information Centre (SPICe) Briefing on Local Government Finance used Local Financial Returns (LFRs) to analyse how councils have raised income through fees and charges to people using services. It found that revenue from fees and charges had fallen by 4.5 per cent in real terms between 2011/12 and 2015/16, from £569.7 million to £544.2 million.[31] However, the data provided in the LFRs is self-reported and there can be differences with how councils categorise income and expenditure. For example, some councils may not record income generated by ALEOs in the same way that they record income generated directly by the council.

49. While it is not possible from the data currently available to assess nationally how councils use their ability to generate income to offset the impact of reduced Scottish Government funding, there are indications that councils are increasing income through fees and charges. For example, the RAC Foundation reported that total income for Scottish councils from parking fees was £79.3 million in 2015/16, a five per cent increase over the previous year.[32] Citizens Advice Scotland has found that burial charges increased in 25 councils in 2016/17, with an average increase of £64.31 (5.5 per cent).[33]

50. Councils must consider the impact that increased fees could have on inequality within their communities, as higher charges are likely to have a disproportionate effect on deprived and vulnerable communities. All seven councils that submitted evidence to the Parliament's scrutiny of the draft budget indicated that they considered inequalities when making decisions about fees and charges.[34]

51. Councils are also getting together to share ideas and approaches to maximising income and many are involved in a network on 'commercialisation' led by the Association for Public Sector Excellence (APSE). This work is at an early stage but could lead to councils generating additional income from a range of activities.

Transformation is increasingly important to councils

52. By transformation we mean significant programmes of activity that radically change the services councils provide and how they are delivered. This involves making services more efficient and achieving better outcomes for people who use services and for communities. Good transformation will be based on robust option appraisal. It should reflect the needs of communities, consider alternative service delivery models and seek to reduce long-term demands on services.

53. Planning for and delivering transformational savings will become increasingly important to councils if funding continues to fall and decisions about spending priorities become increasingly difficult. Options appraisal is an important tool to help councils make an informed decision on what their transformation priorities should be.

Transformation needs to be properly scoped and resourced for it to deliver the desired savings

54. Some councils use formal and explicit transformation plans to deliver their strategy for change. Other councils integrate transformation into developing how services are delivered without using a specific transformation plan. Both approaches can be effective if the right leadership and management are in place. Cohesive and decisive leadership is essential to address the significant challenges councils face.

55. Councils need to ensure that they are investing the right time and resources to deliver the scale of the planned transformation. Real transformation takes time and to be successful councils should:

- set priorities - councils cannot transform everything at once

- conduct robust option appraisals - councils should consider a wide range of options

- have a clear strategy and a realistic savings target which is properly monitored

- have proportionate governance structures

- assess the impact on equality of access and opportunity and whether change may have a disproportionate impact on more vulnerable or poorer communities or individuals.

56. Transformation needs:

- effective leadership from councillors and the senior management. In Dumfries and Galloway Council, progress is reported regularly to the Business Transformation board and Business Transformation steering group

?

Does your council compare its policies and priorities to raise income with other councils?

Does your transformation activity contain plans for truly transformational change? Will it improve services and save money?

- staff who have the time to work exclusively on transformation. West Lothian Council has 15 full-time equivalent staff (including senior and specialist staff) on secondment working on the scoping stage of their transformation plan.

- staff with the skills to achieve council priorities and make the required changes to services. At Inverclyde Council, 100 employees took part in a senior management leadership development course which emphasised delegating operational decisions to front-line managers. East Renfrewshire Council has recognised that there is limited supply of some skills in the council. In response it has designed and delivered a Scottish Qualifications Authority (SQA) accredited course in project management and a course in change management.

57. Councils should ensure that planned savings are realistic and achievable. Councils that are already under significant financial strain need to be especially careful about this. For example, Midlothian and Clackmannanshire Councils have low general fund reserves and high savings targets for their transformation plans, which will be challenging to meet. Not delivering expected savings could mean their general fund reserves fall.

58. There is a high level of risk involved in transformation projects. These include expected savings not being delivered (with consequent effects on a council's reserves and financial position); alternative models of service delivery not achieving the expected service standards and outcomes and there being insufficient staff time and skills deployed. Not all transformation activity will have the desired effect. Councils need to be willing to take some risk, within an effective risk management framework, in their approaches to transformation.

59. Councils are sharing successful new approaches. The Innovation Exchange website, which is supported by the Society of Local Authority Chief Executives (SoLACE) and the Improvement Service, brings together innovative projects from across all councils. It allows councils to share good practice and improve how services are provided.

Councils recognise the potential of digital solutions to deliver savings and make services more efficient

60. Digital solutions are a key element of most councils' transformation activity. When we talk about digital, we are not just talking about technology. We are talking about how digital technologies and solutions are affecting and changing human interactions. Some of the ways that councils are adopting digital solutions include:

- introducing new technology to allow front-line staff to access and process information wherever they are working, for example home carers

- making better use of data by linking and integrating data across departments

- streamlining and automating processes to make them more straightforward for citizens and more efficient for the council, for example completing forms and making payments

- ensuring the security of data and information held by the council

- making information more accessible to residents through websites.

Have you invested in the right resources for your transformation activity to achieve its planned savings?

Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?

What is your council's risk appetite for transformational change? Are risks properly monitored?

What will the financial implications be for your council if your transformation strategy fails to meet its savings targets?

61. Councils are incorporating digital solutions in a variety of ways. As councils become more mature users of digital, they are adopting more innovative ways of integrating digital into how they deliver services. Thirty councils have signed up to the Local Government Digital Partnership programme, which aims to strengthen councils' use of digital.[35]

62. Many councils are pursuing greater efficiency by integrating digital into how they deliver their services. For example, the Moray Council reports it has made its housing repair service more efficient by introducing mobile working. This has cut travel time to jobs, reduced missed appointments, and allowed seven team members to be reallocated to other areas. North Ayrshire Council increased customer satisfaction from 91 per cent to 98 per cent by improving the digital channels that people can use to access services.

63. Some councils are working to make their digital infrastructure more efficient. This involves joining up systems and data that are held by different services and creating systems that are able to share data. Aberdeen City Council has developed a digital transformation programme that prioritises these tasks. One of the anticipated outcomes of this programme is that customers will only have to provide information once to the council, and this information will automatically update data already held by the organisation.

64. Our *Principles for a digital future* report provides guidance on the core principles for successfully planning digital projects.[36] It identifies the following principles for success:

- comprehensive planning setting out what will be achieved and how it will be done

- active governance providing appropriate control and oversight

- putting users at the heart of the project

- clear leadership that sets the tone and culture and provides accountability

- individual projects set in a central framework of strategic oversight and assurance.

65. Councils need to balance improving digital access to services with an awareness that not everyone can access or operate digital technologies. Others will be limited in how they can access digital technology; for example, some may only have access to the internet using their mobile phone. Limited access to digital technology is most likely to affect vulnerable and excluded groups. Digital should not become the only way to access council services, but it should be an efficient and easy option of communication for those who choose to use it.

Does your council follow the core principals for successfully planning digital projects outlined in our *Principles for a digital future* report?

Part 3
The impact on council services
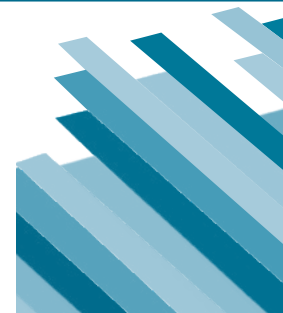
Key messages

1 At a national level, indicators suggest that councils have maintained or improved performance in a number of areas despite funding reductions. However, there is considerable variation between councils that is not always easily explained. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes.

2 However, there is also some evidence that budget reductions are impacting on services. Public satisfaction is falling. There is evidence that social care services for older people are not keeping up with demand, and there is a general risk to the quality of services. The impact of budget reductions on smaller services could be significant but there is limited evidence on this. Councils need to understand and clearly set out the impact budget reductions have had on service delivery and use this to inform future decision making.

Despite funding reductions a number of national indicators of performance continue to improve

66. The Accounts Commission has previously stated that given the challenges facing local government, not least the future financial challenges, it does not expect to see performance improving in all measures for all councils. It is up to individual councils and their communities to agree local priorities and make the difficult decisions about which services to focus time, skills and money on. Effective public performance reporting should reflect those decisions and explain performance variance within that context. Councils will need to continue to have conversations with their communities to understand and explain the impact of budget cuts.

67. The Scottish Government's National Performance Framework measures and reports progress towards the Scottish Government's Purpose and national outcomes. The Improvement Service reports on progress against 18 outcomes, supported by 16 performance measures, through the Community Planning Outcomes Profile. Councils work with partners and communities through, for example, CPPs and IJBs to improve outcomes for communities. Changes in outcomes will be influenced by factors wider than council activity so cannot be solely linked to council activity. These measures are designed for use at a community or council level, but we have presented them at a Scotland level for this report. The 16 performance measures suggest that the majority of outcomes are improving across Scotland .

Exhibit 7
Changes in performance measures for Scotland's outcomes 2006/7 to 2016/17
Performance measures suggest that the majority of outcomes for Scotland's communities are improving.

Health

Early mortality: European Age Standardised Rate of deaths for persons under 75[1] — **-6.9%**

Emergency department attendance rates per 100,000 people[1] — **-7.9%**

Emergency admissions for age 65 and over per 100,000 — **3.9%**

% of primary 1 children who have body mass index classified as a healthy weight[1] — **0%**

% of babies at a healthy birthweight — **0.9%**

Education

S4: Average tariff score – all pupils[1] — **14.6%**

% of school leavers entering positive destinations[1] — **7.1%**

Employment

Survival of newly born enterprises (3 year survival)[1] — **-5.8%**

Median weekly earnings for residents in CPP area who are employed — **15.5%**

Employment rate — **-0.6%**

% of population (aged 16-64) in receipt of out of work benefits — **-2.2%**

Environment

CO_2 emissions (tonnes per capita)[1] — **-34.4%**

Community safety

Number of dwelling fires per 100,000 population[1] — **14.2%**

Total crimes per 10,000 population — **-37.2%**

Other

% of children in poverty[1] — **-3.2%**

Fragility[2,3] — **1.6%**

(%) Percentage point change – raw data is not available therefore absolute changes are shown.

Notes:
1. Imputed and projected data has been calculated by the Improvement Service using different methodologies for measures where raw data is not yet available.
2. Fragility is a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio.
3. Data uses rolling three year averages. All figures are based on community level data and so may have some discrepancies due to rounding.
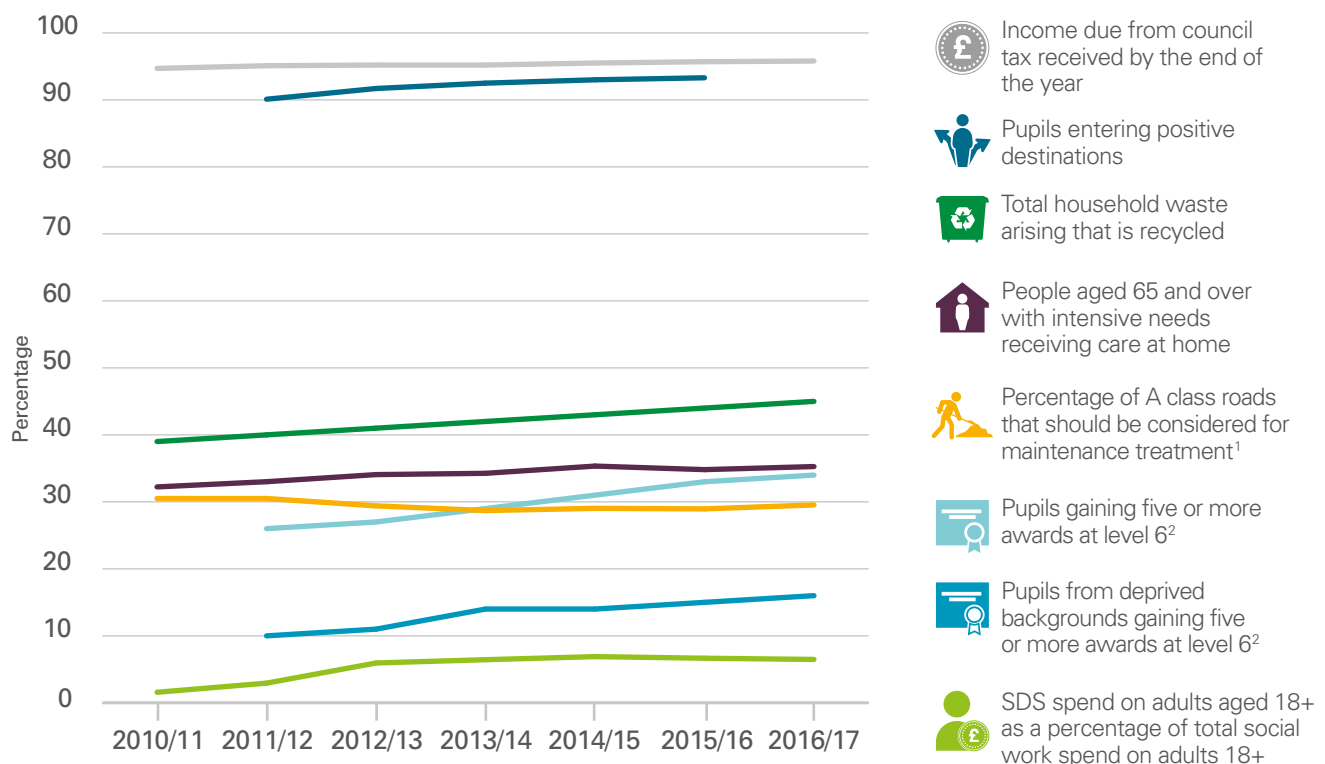
Source: *Community planning outcomes profile*, Improvement Service, 2016/17

68. The Improvement Service, in partnership with councils, also collates and reports on the Local Government Benchmarking Framework (LGBF) to provide comparative performance information for councils to help them improve. The framework includes over 70 performance indicators. While these are not designed to comprehensively cover performance across all council activities, they are spread over a broad range of service areas. We selected for further analysis, a sample of eight measures which give an indication of council performance in services likely to be of significant interest to the public.[37] This shows that councils' performance for these indicators over the last six years has remained the same or improved, except for the proportion of social work spend on self directed support (SDS) which dropped slightly between 2015/16 and 2016/17 (Exhibit 8).

Exhibit 8
Performance against selected indicators, 2010/11 to 2016/17
Performance has been maintained or improved.

- Income due from council tax received by the end of the year
- Pupils entering positive destinations
- Total household waste arising that is recycled
- People aged 65 and over with intensive needs receiving care at home
- Percentage of A class roads that should be considered for maintenance treatment[1]
- Pupils gaining five or more awards at level 6[2]
- Pupils from deprived backgrounds gaining five or more awards at level 6[2]
- SDS spend on adults aged 18+ as a percentage of total social work spend on adults 18+

Notes:
1. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.
2. 2016/17 data is not available, national data is modelled to provide proxy measure.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

69. We have also analysed council spending against indicators to see what impact funding reductions have had on performance at a national level. This shows that despite spending less in most service areas, councils have maintained or improved performance on most of the selected measures (Exhibit 9, pages 31-32). It is important to note that a number of factors other than spend will impact on how services perform, and individual performance indicators do not show overall quality of a service.
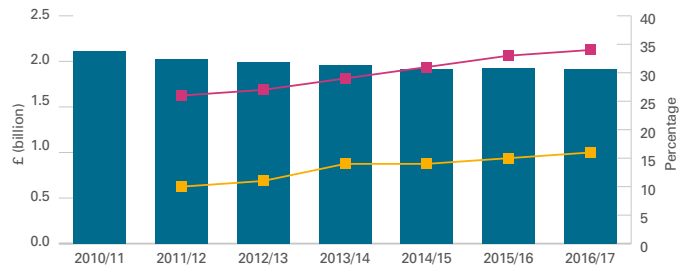
Exhibit 9
Performance and spend in key service areas, 2010/11 to 2016/17

Councils are spending less on secondary schools but pupils' attainment continues to improve.[1]

■ Gross expenditure on secondary schools (£ billion)

■— Percentage of pupils gaining five or more awards at level 6

■— Percentage of pupils from deprived backgrounds gaining five or more awards at level 6


Since 2010/11 the amount spent on homecare has increased at a faster rate than the number of home care hours.

■ Total expenditure on homecare (£ million)

■— Homecare hours per year
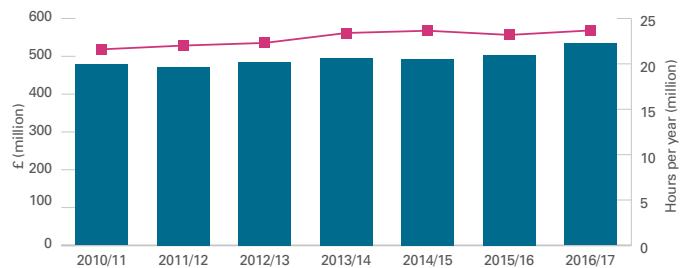
Spending on residential care homes for older people has remained constant since 2012/13. The number of residents has remained at a similar level since 2010/11.[2]

■ Net expenditure on care homes for older people (£ million)

■— Number of long-stay residents aged 65+ supported in care homes
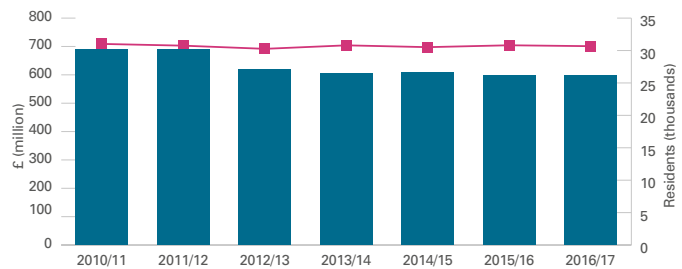
Libraries, sports facilities and museums have all reduced spending but report increased visitor numbers.

■ Total expenditure on culture and leisure (£ million)

■— Number of attendances at sports facilities

■— Number of library visits

■— Number of museum visits
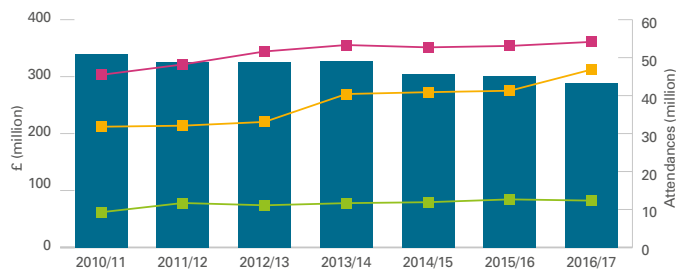
Councils spend 20 per cent less on road maintenance but the percentage of roads classified as needing to be considered for maintenance has remained constant.

■ Gross expenditure on roads and winter maintenance (£ million)

■— Percentage of A class roads that should be considered for maintenance treatment

■— Percentage of B class roads that should be considered for maintenance treatment
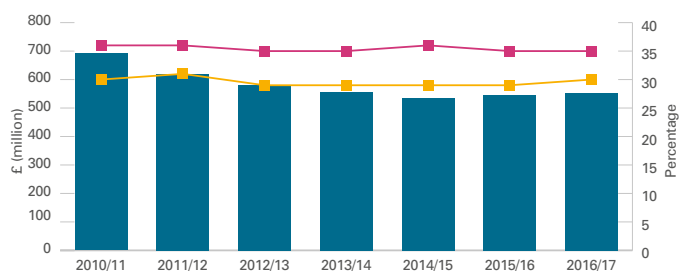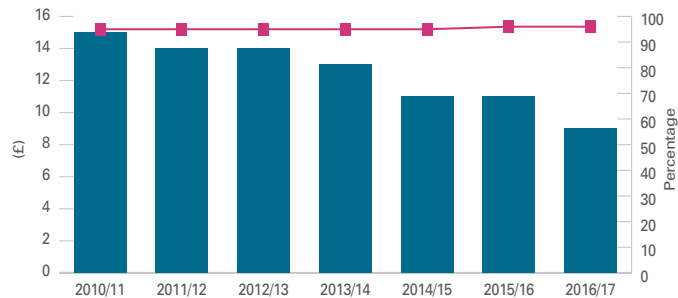

**Cont.**

Exhibit 9 (continued)

The amount councils spend on collecting council tax has decreased by 41 per cent since 2010/11 but the percentage collected by the end of the year has remained at around 96 per cent.

■ Cost per dwelling of collecting council tax (£)

■— Percentage of income due from council tax received by the end of the year

Despite a 30 per cent reduction in the net cost of street cleaning per 1000 people since 2010/11, street cleanliness scores have only decreased by three percentage points.

■ Net expenditure on street cleaning (£ million)

■— Street cleanliness score
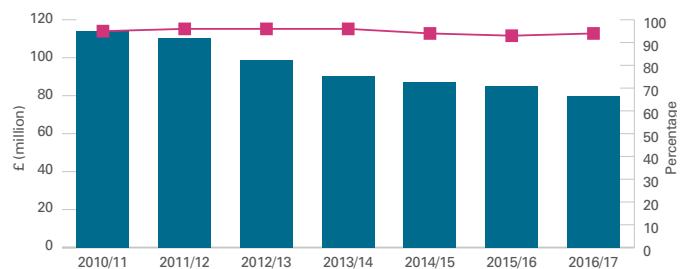
Notes:
1. 2016/17 data is not available, national data is modelled to provide proxy measure.
2. 2010/11 and 2011/12 expenditure includes supports costs and so is not directly comparable to later years.
3. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

Council performance varies, sometimes significantly

70. A range of factors, such as levels of deprivation, rurality, demographics and local priorities and policy choices will have an impact on how services perform. The quality and effectiveness of leadership and management are also important factors. Analysis of LGBF data shows that there continues to be significant variation in performance among councils. For example in 2016/17:

- The amount of waste recycled varies from eight per cent in the Shetland Islands Council to 61 per cent in East Renfrewshire Council.

- The percentage of people aged 65 and over with intensive needs being cared for at home varies from 23 per cent in Scottish Borders Council to 50 per cent in North Lanarkshire Council.

- The percentage of pupils gaining five or more awards at level six varies from 22 per cent in Clackmannanshire Council to 63 per cent in East Renfrewshire Council.

71. The link between performance and spend also varies. For example between 2015/16 and 2016/17, 21 councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while 11 reduced their costs (Exhibit 10, page 33). Fife Council have reduced the net cost of waste collection per premise by 25 per cent in real terms from £57 to £42, while increasing the percentage of waste recycled from 52 per cent to 55 per cent. Of the ten councils which are recycling less, seven had increased costs.

Exhibit 10

The cost of waste collection and the percentage of waste recycled, 2015/16 to 2016/17

Twenty-one councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while eleven reduced their costs.

£ **Percentage change in cost of waste collection**

CNES **5.3**	ORKN **-4.5**	SHET **4.7**
HIGH **-18.9**	ABNS **6.3**	ABNC **-33.0**
A&B **-3.2**	ANGS **-23.8**	MRY **-8.8**
INVE **-14.6**	WDUN **0.9**	STIR **25.8** / DUND **6.1** / P&K **-2.7** / FIFE **-25.3**
	EDUN **4.1**	CLAC **25.2** / FALK **8.0**
NAYR **-4.2**	RENF **-0.3**	EREN **2.8** / GLAS **8.5** / EDIN **5.4** / ELOT **-19.6**
	NLRK **-14.2**	WLOT **9.7** / MLOT **2.3**
SAYR **12.0**	EAYR **-0.3**	SLAN **12.0**
D&G **16.6**	SBOR **-12.6**	

% ♻ **Percentage point change of waste recycled**

CNES **2.9**	ORKN **0.2**	SHET **-1.3**
HIGH **0.0**	ABNS **-0.2**	ABNC **0.5**
A&B **0.1**	ANGS **-2.5**	MRY **1.6**
INVE **-1.3**	WDUN **2.1**	STIR **0.9** / DUND **0.3** / P&K **0.5** / FIFE **2.4**
	EDUN **-2.2**	CLAC **8.4** / FALK **-2.6**
NAYR **-0.7**	RENF **4.6**	EREN **4.4** / GLAS **-0.8** / EDIN **2.4** / ELOT **0.4**
	NLRK **1.2**	WLOT **1.1** / MLOT **5.6**
SAYR **-1.6**	EAYR **0.3**	SLAN **4.0**
D&G **-0.4**	SBOR **1.7**	

🟥 **Reduced performance** Cost increase or less recycling

🟧 **No change**

🟩 **Improved performance** Cost decrease or more recycling

Councils

ABNC	Aberdeen	**EDIN**	Edinburgh	**ORKN**	Orkney Islands
ABNS	Aberdeenshire	**CNES**	Eilean Siar	**P&K**	Perth and Kinross
ANGS	Angus	**FALK**	Falkirk	**RENF**	Renfrewshire
A&B	Argyll and Bute	**FIFE**	Fife	**SBOR**	Scottish Borders
CLAC	Clackmannanshire	**GLAS**	Glasgow	**SHET**	Shetland Islands
D&G	Dumfries and Galloway	**HIGH**	Highland	**SAYR**	South Ayrshire
DUND	Dundee	**INVE**	Inverclyde	**SLAN**	South Lanarkshire
EAYR	East Ayrshire	**MLOT**	Midlothian	**STIR**	Stirling
EDUN	East Dunbartonshire	**MRY**	Moray	**WDUN**	West Dunbartonshire
ELOT	East Lothian	**NAYR**	North Ayrshire	**WLOT**	West Lothian
EREN	East Renfrewshire	**NLRK**	North Lanarkshire		

Note: Due to inconsistencies with published data Glasgow and Shetland Islands councils have provided their own figures.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17,* Improvement Service

72. Variation in performance and spend suggests councils have the potential to deliver further improvements and efficiencies. For example, as we reported last year, if councils reduced staff sickness absence this would help increase productivity. Nationally the average number of sickness days for non-teaching staff has increased slightly from 10.63 in 2015/16 to 10.92 in 2016/17. Sickness absence rates for non-teaching employees vary from an average of 8.8 days in East Ayrshire Council to 16.5 days in Clackmannanshire Council. If councils with high absence levels could reduce these to be in line with the top eight performing councils, they would gain the equivalent staff time of about 730 full-time employees across Scotland.

73. Sickness absence rates for teachers improved slightly from 2015/16 to 2016/17 from 6.09 to 6.06 days per teacher. This also varied by council from an average of 4.1 days in East Ayrshire Council to 9.8 days in Clackmannanshire Council. If councils with high teacher absences could reduce these to be in line with the top eight performing councils, they would gain the equivalent of about 260 full-time teachers in Scotland.

74. There may be valid reasons for the variation between performance and spend at a council level. Councils should continue to learn from each other through benchmarking groups and work to understand reasons for variation in performance and cost, identify any options for efficiencies, savings and service redesign. Councils have a duty to clearly report performance to local people. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes. Good performance reporting includes clearly stating how performance and spend is linked to the council's priorities and using local indicators which demonstrate quality of service and public satisfaction.

Not all variation in education performance can be explained by deprivation

75. Improving school attainment and closing the gap between the achievements of the richer and poorer pupils is a Scottish Government priority and one shared by councils. Nationally pupil attainment has been increasing each year since 2010/11 across all measures (Exhibit 9). However, this still masks significant variation between individual councils. Using the measure of average tariff score, an overall measure of secondary attainment, the attainment gap between the most deprived and least deprived pupils has decreased by six per cent in the last six years.[38] However, the most deprived pupils are still performing only half as well as the least deprived pupils.

76. Councils with lower deprivation levels tend to have more children gaining five or more awards at level 5 and 6 and higher overall average tariffs than councils that have higher deprivation levels (Exhibit 11, page 35). East Renfrewshire Council and East Dunbartonshire Council have the lowest levels of deprivation and are performing considerably better on this measure than any other council. However, some councils (Aberdeenshire, Aberdeen City, and the Moray councils) might be expected to perform better than they are when their lower levels of deprivation are taken into account. Inverclyde Council has high levels of deprivation but higher attainment than similarly deprived areas. We examined the various factors which influence pupil attainment in our 2014 report on *School education* ⬇, and are planning a further audit of the sector in 2019/20.[39]

77. Councils should continue to work to understand the variations in performance between them, learn what has been successful in other councils and, where appropriate, apply these lessons to their own services.

How well does your council report performance to local communities? Is there a link to outcomes, priorities and budgets in your performance reporting?

Have you considered what lessons you can learn from other councils who are delivering services well?

Exhibit 11
Overall tariff scores for secondary school children compared with deprivation levels 2015/16
The link between attainment and deprivation varies across councils.
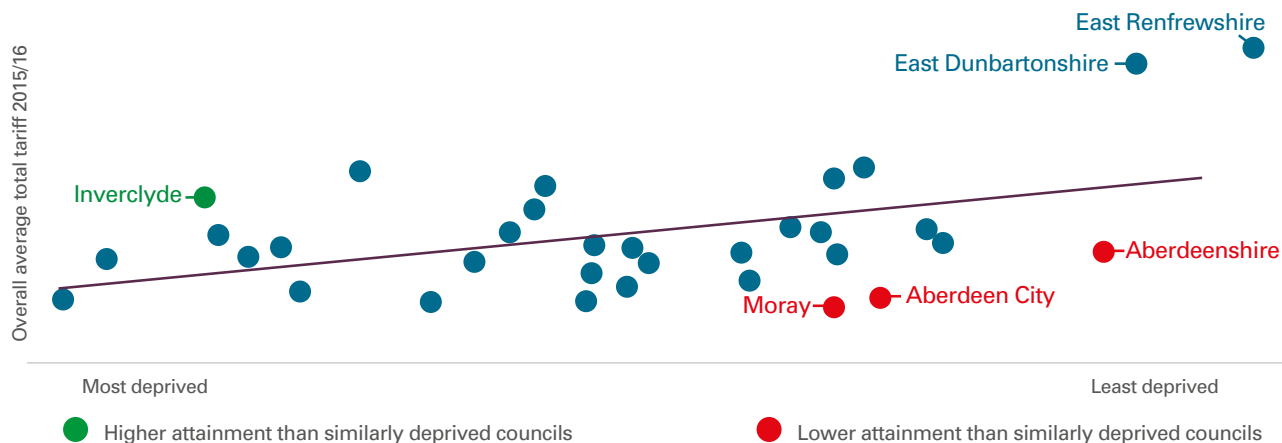
Notes:
1. The line shows the relationship between overall average total tariff and deprivation levels.
2. We have used 2015/16 attainment data. Data is not currently available by council for 2016/17.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2015/16*, Improvement Service

There is some evidence that spending reductions and increasing demand are impacting on services

Public satisfaction is falling
78. Different sources show public satisfaction is falling:

- LGBF indicators mostly show a decline in public satisfaction between 2010 and 2017, for example satisfaction with the following services is down:

  – local schools from 83 to 73 per cent

  – libraries from 84 to 73 per cent

  – museums and galleries from 76 to 70 per cent

  – leisure facilities from 75 to 73 per cent

  – street cleaning from 73 to 70 per cent

  – refuse collection from 81 to 79 per cent.

Some satisfaction levels have been maintained or improved:

  – parks and open spaces has increased from 83 to 87 per cent.

- In 2016, the Scottish Household Survey found that only 56 per cent of adults were satisfied with three local public services (local health services, schools and public transport). This is the lowest level since it was first measured in 2007, and down ten percentage points in five years.[40]

- In a poll by PricewaterhouseCoopers in 2017, only 12 per cent of respondents in Scotland agreed that their council had become more effective over the last five years.[41]

How can you better engage with local communities to understand why public satisfaction is declining?

There is evidence that adult social care services are not keeping up with demand

79. Adult social care services are a main and growing area of spend for councils. These services are now commissioned by IJBs. Social care services for older people are a key pressure area for councils and IJBs as Scotland's population ages. Between 2010/11 and 2016/17:

- The number of people aged 65 and over (and more likely to have two or more long-term conditions) increased by 13.2 per cent.

- The number of people aged 75 and over (and, more likely to have three or more long-term conditions) increased by 9.4 per cent.

80. Older people in need of support are cared for either in a residential care home or in their own home by visiting home care workers. Since 2011, the policy of many councils and the Scottish Government has been to move more care to a home setting.

81. National data suggests that spending on residential care is generally keeping up with the number of residents, while spending on caring for people at home has increased at a faster rate than the amount of care provided. National data on quality shows that care homes assessed by the Care Inspectorate as good or better has increased from 66 per cent in 2014/15 to 72 per cent in 2016/17 and home care services from 81 per cent to 83 per cent.

82. Despite an increase in the number of homecare hours, the number of people aged 65 and over who receive care at home fell by nine per cent. The Scottish Government reports that this is due to a focus on people with higher needs meaning that fewer people get more hours.[42] Although this means that councils can focus care on those with the highest needs, it does mean others no longer receive support. This has implications for early interventions which could improve peoples' quality of life and save money in the long-term by preventing people developing more complex needs.

83. Recent local inspections have raised significant concerns about social care services' ability to meet demand from older people and about the quality of care provided. The inspections at City of Edinburgh Council and Scottish Borders Council found that older people faced long waits for an assessment of their needs and a further wait to receive their care package following an assessment.

- In Edinburgh people waited 100 days for an assessment and 16 per cent of cases had an unreasonable delay after assessment. Often, this meant that the person's condition had deteriorated by the time they received their service so it was no longer adequate. These delays impacted on other health and social care services, especially hospitals, as people could not return home until care had been arranged for them.[43]

- In the Scottish Borders there was a nine week wait for top priority cases and a 15 week wait for the second level of priority. Even some people assessed as critical could struggle to get the support when they needed it. Overnight care for people at the end of their life who wanted to die at home was especially problematic. Inspectors found that staffing problems had led to a lack of consistency of care and although always treated with respect, some individuals had 24 different carers in a three-month period.[44]

84. We reported in our 2016 *Social work in Scotland* ⊛ audit, that people receiving care were most unhappy with the limited length of visits. In the survey, one person described facing a choice of breakfast or a shower as the carer could not provide both in the 15-minute appointment slot. A survey of home care workers by Unison in 2016, found that 80 per cent felt that their service had been affected by budget reductions and many staff described this as a focus on 'quantity not quality'.[45] The Care Inspectorate reported that the number of complaints upheld for adult care homes increased by five per cent between 2014/15 and 2016/17.

85. East Lothian Council has also reported a backlog of residents waiting for a care package due to a lack of capacity within care providers.[46] It is unlikely that these are isolated examples as elderly populations are growing in all council areas in Scotland and this trend is set to continue (Exhibit 4). The Competition and Markets Authority concluded recently that the model for residential care was unsustainable without additional funding.[47] Councils and IJBs face significant challenges in delivering social care. They will need to consider how to transform their social care services so that older people are able to access the care they need.

There is a risk that reduced spending in education is affecting pupils' learning experience and staff morale

86. Education is the largest area of council spend. Spending on schools, including pre-schools, has been increasing since 2015/16 when the Scottish Government introduced its School Attainment Challenge. Despite this, national data shows that since 2010/11 spending on schools has not kept up with trends in pupil numbers:

- Spending on primary education has reduced by two per cent despite pupil numbers increasing by nine per cent.

- Spending on secondary education has reduced by nine per cent while pupil numbers have fallen by seven per cent.

87. Teacher-to-pupil ratios are protected by Scottish Government policy and funding. Since 2012/13, teacher-to-pupil ratios have increased slightly in primary schools and stayed the same in secondary schools, while the number of class room assistants increased by 13 per cent over that period. However, since 2012/13:

- administration and clerical support staff have been reduced by 11 per cent

- library staff have been reduced by 16 per cent

- music instructors have been reduced by 30 per cent

- additional support needs care workers have been reduced by 13 per cent despite a 44 per cent increase in children with additional support needs over the same period.[48]

88. There is no national data showing the impact of these staffing changes. However, there is a risk that unless alternatives are provided, the reduction in library and music staff could result in a less rich and varied learning experience. Similarly, the reductions in additional support staff could mean some children are not receiving the support they need.

89. A study for the Educational Institute of Scotland in 2017 found that 40 per cent of teachers were considering leaving their job in the next 18 months. They found the

How are your council and IJB managing demand for social care services? What preventative measures are available in your council?

main cause of stress was an excessive administration workload and lack of preparation time.[49] In a 2017 survey by UNISON, 60 per cent of support staff reported that morale was low and 40 per cent claimed to work unpaid overtime every week.[50]

90. Some councils are reporting difficulties recruiting staff and some schools cannot offer higher level exams in some subjects due to a lack of suitably qualified staff.[51]

Smaller services are affected more by budget cuts but the impact of this is not always clear

91. Smaller services have experienced greater levels of budget reductions. Although nationally published data does not break down staff by department, there is evidence that sizeable staff reductions have affected these service.

- The Royal Town Planning Institute Scotland identified a 23 per cent reduction in staffing of planning teams in local government since 2009.[52]

- The Society of Chief Officers of Environmental Health in Scotland reported an eight per cent fall in environmental health services posts between 2016 and 2017.[53]

- COSLA reported a 20 per cent decrease in the workforce for trading standards, but did not specify over which time period.[54]

92. These departments and others provide important services to communities, such as inspecting building standards and public health; there is a risk that staffing pressures and budget cuts could lead to errors with potentially serious consequences to the public. As the Commission reported in 2013, the long-term viability of councils' trading standards services is under threat, potentially leaving consumers without important protection.[55]

93. Keep Scotland Beautiful reports that overall local environmental quality has reached its lowest point in over a decade. This is after a marked increase in the presence of litter, fly tipping, graffiti and weeds in communities over the last 18 months.[56] Councils also report that fly tipping has increased from 6.22 incidents per 1000 households in 2014/15 to 9.23 incidents in 2016/17.[57]

94. Funding for Money Advice Services reduced by around 15 per cent in 2015/16 and this is set to continue. Although councils have sought to minimise the impact of cost reductions to the Money Advice Service by transforming services, these cuts have also reduced the availability of locally based services. These types of reductions could disproportionately affect the most disadvantaged and vulnerable as 80 per cent of people using these services have a household income of under £15,000.[58] Limiting access to this service can diminish the wellbeing of people who might use them. It could also make it more likely they will require help from other council services such as social care and homelessness services.

95. We recognise that councils will prioritise some services over others to reflect their strategic priorities. Our audit work has found that generally councils are good at setting clear strategic priorities but that links to how these will achieve improved performance and outcomes are poor. Councils should be able to clearly set out the impact sizeable budget reductions have had on performance and outcomes so that decisions on funding are based on solid evidence. This is an area we plan to examine further in our 2019 report.

Do you know how budget cuts have affected your smaller services?

Do you know the impact of spending reductions on the services your council provides?

Endnotes
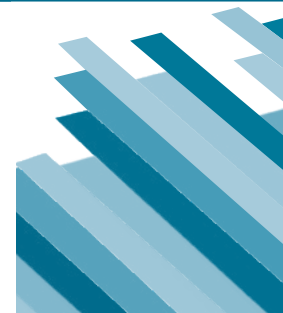
◀ 1   *Scottish Household Survey*, Scottish Government, 2016.

◀ 2   *Best Value Assurance Report: Clackmannanshire Council* ⊕, Audit Scotland, January 2018.

◀ 3   *Scottish Household Survey*, Scottish Government 2016.

◀ 4   Local Government Elections 2017. Scottish Parliament Information Centre, May 2017.

◀ 5   Revenue funding includes the general revenue grant, non-domestic rate income and specific revenue grants. Figures for 2017/18 and 2018/19 are based upon the annual totals set out by the Scottish Government in 'Local Government Finance Circular No. 4/2018' and we have compared 2017/18 outturn to the 2018/19 budgeted funding. These totals reflect a £34.5 million redetermination of funding in 2017/18 being classified as funding to councils for 2018/19. We will consider any implications of this funding arrangement for councils during both the 2017/18 annual audit process and our subsequent financial overview of local government.

◀ 6   *Local Government in Scotland: Financial overview 2016/17* ⊕, Audit Scotland, November 2017.

◀ 7   Unison submission to the local government and communities committee's scrutiny of the 2018/19 budget.

◀ 8   Angus, Dumfries and Galloway, East Lothian, Orkney and Renfrewshire had no live claims in September 2016.

◀ 9   Local Government Finance Statistics 2016/17, Scottish Government.

◀ 10 North Ayrshire Council's submission to the local government and community committee's scrutiny of the 2018/19 budget.

◀ 11 Additional predictions by the National Records for Scotland consider the impact on population growth if migration from the EU changed. Scotland's predicted population growth to 2041 varied from seven per cent if immigration from the EU increased by 50 per cent to two per cent growth if there was no immigration from the EU. This affected working age people and children more than the elderly.

◀ 12 Barnett K, Mercer SW, Norbury M, Watt G, Wyke S, Guthrie B. *Epidemiology of multi-morbidity and implications for health care, research, and medical education: a cross-sectional study.* The Lancet, 2012.

◀ 13 *The demography of Scotland and the impact of devolution*, Scottish Affairs Committee, Westminster.

◀ 14 'Dependency' ratios are a useful way to examine the relative age structure of the population but the reality is more complex than they suggest, many people of typically working age are not economically active (for example students) and many retired people are financially independent.

◀ 15 *Local government in Scotland: Financial overview 2016/17* ⊕, Audit Scotland, November 2017. This contains further information on reserves.

◀ 16 Ibid.

◀ 17 Joint Staffing Watch figures, Scottish Government. All staffing figures are in Full Time Equivalent (FTE). Figures for most councils are rounded to the nearest 100. Figures for Aberdeen City and Glasgow City Councils are rounded to the nearest 1,000.

◀ 18 Joint Staffing Watch figures show 226,800 FTEs in Q1 2009 and 205,800 in Q1 2012.

◀ 19 Joint Staffing Watch figures show 205,800 FTEs in Q1 2012, 198,300 in Q1 2016, and 195,800 in Q1 2017.

◀ 20 Joint Staffing Watch figures show 196,600 FTEs in Q3 2017, 196,200 in Q3 2016, 229,000 in Q2 2008 and 228,500 in Q2 2007.

◀ 21 Joint Staffing Watch figures for Inverclyde Council show 3,900 FTEs in Q1 2010.

◀ 22 Joint Staffing Watch figures for Inverclyde Council show 3,400 FTES in Q1 2017.

◀ 23 *Scottish Social Service Sector: Report on 2016 Workforce Data*, Scottish Social Service Council, September 2017.

◀ 24 Information comes from three Unison reports: *A Unison survey of building control staff*, June 2017; *A survey of Scotland's school support staff*, January 2017; *A survey of care workers in Scotland*, July 2017.

◀ 25 Office for National Statistics, *Analysis of factors affecting earnings using Annual Survey of Hours and Earnings: 2016.*

◀ 26 The Smith Institute. *From pay squeeze to a staffing crisis: a study of recruitment and retention in the NHS and local government, 2015.*

◀ 27 *Talent Management in Public Services in Scotland*, Improvement Service, 2017.

◀ 28 *Local Government in Scotland: Performance and challenges* ⬇, Audit Scotland, March 2017.

◀ 29 *Local Government in Scotland: Financial overview 2016/17* ⬇, Audit Scotland, November 2017.

◀ 30 Ibid.

◀ 31 *Local Government Finance: Fees and Charges 2011-12 to 2015-16*. Scottish Parliament Information Centre, 2017.

◀ 32 *Local Authority Parking Finances in Scotland 2015-16,* RAC Foundation for Motoring, 2017.

◀ 33 *The Cost of Saying Goodbye,* Citizens Advice Scotland, 2017.

◀ 34 Evidence to Local Government and Communities Committee for scrutiny of 2018/19 draft budget.

◀ 35 The Moray Council and Clackmannanshire Council are not currently involved in this project.

◀ 36 *Principles for a digital future* ⬇, Audit Scotland, May 2017.

◀ 37 The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – **www.improvementservice.org.uk/benchmarking/** ⬀

◀ 38 The average tariff score is a summary measure which calculates the latest and best achievements of pupils in the senior phase of secondary school.

◀ 39 *School Education* ⬇, Audit Scotland, June 2014.

◀ 40 Scottish Household Survey. Scottish Government, 2016.

◀ 41 PricewaterhouseCoopers (PwC) publish an annual report on local government in the UK based on surveys of council chief executives, finance directors, council leaders and 2,007 members of the public.

◀ 42 *Social Care Scotland 2016,* Scottish Government, 2017.

◀ 43 Joint Inspection of services for older people in Edinburgh, Care Inspectorate and Healthcare Improvement Scotland, 2017.

◀ 44 Joint inspection of services for older people in Scottish Borders, Care Inspectorate and Healthcare Improvement Scotland, 2017.

◀ 45 *We care, do you?* A survey of care workers in Scotland, Unison, July 2016.

◀ 46 Auditor returns, November 2017.

◀ 47 Care homes market study, Competition and Markets Authority, 2017.

◀ 48 Teacher Census, Scottish Government, December 2016.

◀ 49 *Working conditions of Scotland's teachers*, Educational Institute of Scotland, 2017.

◀ 50 *Hard Lessons*, A survey of Scotland's school support staff. Unison, 2017.

◀ 51 Joint response to the MAC Call for Evidence on the Partial review of the Shortage Occupation List: Teachers, Scottish Government and COSLA, September 2016.

◀ 52 Royal Town Planning Institute's submission to the Local Government and Communities Committee's enquiry into the 2018/19 Draft Budget.

◀ 53 Correspondence with the Society of Chief Officers of Environmental Health in Scotland.

◀ 54 Budget briefing, COSLA, December 2017.

◀ 55 *Protecting consumers* ⬇, Audit Scotland, January 2013.

◀ 56 Local environmental quality in decline, an update, Keep Scotland Beautiful 2017.

◀ 57 APSE performance network, 12 councils reported data on fly tipping.

◀ 58 *The Future of Money Advice Services in Scotland*, Improvement service, 2017.

Local government in Scotland
Challenges and performance 2018

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Agenda Item 17

ARGYLL & BUTE COUNCIL	AUDIT and SCRUTINY COMMITTEE
CUSTOMER SERVICES	
STRATEGIC FINANCE	19 June 2018

REVIEW OF CODE OF CORPORATE GOVERNANCE

1.   **EXECUTIVE SUMMARY**

1.1. This report advises that the Council's Governance Group has reviewed the action plan for 2017/18 and updated the content of the local code of corporate governance to reflect the governance position within the Council for 2017/18.

1.2. The Governance Group has prepared an action plan for 2018/2019.

1.3. The review allows the Council to include a statement of governance and internal control in the Annual Accounts for 2017/18.

2.   **RECOMMENDATIONS**

2.1   The Audit and Scrutiny Committee approve the content of the revised Code of Corporate Governance for 2017/18

2.2   The Audit and Scrutiny Committee approve the content of the Action Plan for 2018/19

2.3   The Audit and Scrutiny Committee approve the draft statement of governance and internal control for 2017/18

ARGYLL & BUTE COUNCIL	AUDIT AND SCRUTINY COMMITTEE
CUSTOMER SERVICES	
STRATEGIC FINANCE	19 June 2018

REVIEW OF CODE OF CORPORATE GOVERNANCE

1. **INTRODUCTION**

This report advises that the Council' Governance Group has reviewed the content of the local code of corporate governance to reflect the governance position within the Council for 2017/18. The review allows the Council to include a statement of governance and internal control in the Annual Accounts for 2017/18. The Governance Group has prepared an action plan for 2018/2019.

2. **RECOMMENDATIONS**

2.1 The Audit and Scrutiny Committee approve the content of the revised Code of Corporate Governance for 2017/18

2.2 The Audit and Scrutiny Committee approve the content of the Action Plan for 2018/19

2.3 The Audit and Scrutiny Committee approve the draft statement of governance and internal control for 2017/18

3. **DETAIL**

3.1 CIPFA and SOLACE published a revised Framework for 'Delivering Good Governance in Local Government' in 2007. The Framework was intended to define the principles that should underpin the governance of local authorities and provides a structure to assist authorities with their own approach to governance. The Framework took the six core principles, from the 'Good Governance Standard for Public Services' (2004), and adapted these principles for local government, identifying eighteen supporting principles.

3.2 The Council's Governance Group has responsibility for the preparation of the Code of Corporate Governance along with an Action Plan which identifies areas within the Council where work to improve the governance arrangements within the Council is being undertaken or is necessary.

The Governance Group is of the view that the actions on the action plan for 17/18 (appendix 1) have been progressed.

The Governance Group includes:
• Head of Strategic Finance (s95 Officer);

- Head of Improvement & HR;
- Head of Governance and Law:
- Governance and Risk Manager;
- Chief Internal Auditor.

3.3 The six core principles contained in the local code are;

Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Members & Officers working together to achieve a common purpose with clearly defined functions and roles

Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Developing the capacity and capabilities of members and officers to be effective

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

The revised code (appendix 2) includes links to the evidence demonstrating compliance with these six core principles.

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

- Work of Officers within the Council;
- Work of External and Internal Audit;
- Statements of Governance or Internal Control provided by external bodies;
- External review and inspection reports; and
- Recommendations from the Audit Committee
- Recommendations from the Performance, Review and Scrutiny Committee.

3.5 It is recommended that the Audit Committee approve the revised code of Corporate Governance for 2017/18 (appendix 2), the action plan 18/19 (appendix 3) and the draft statement of governance and internal control for 2017/18 (appendix 4).

4. **CONCLUSION**

This review of the content of the local code of corporate governance gives assurance about the robustness of the Council's governance arrangements as level 3 of the CIPFA code.

5.   **IMPLICATIONS**

      POLICY   In line with SORP and recommended practice

      FINANCIAL   None

      HR   None

      LEGAL   Monitoring Officer statutory role, remit includes governance

      EQUALITIES None

      RISKS   None

      CUSTOMER None
      SERVICE

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Appendices
Appendix 1 - Action plan for 17/18
Appendix 2 - Revised code of corporate governance
Appendix 3 - Action plan for 18/19
Appendix 4 - Draft statement of governance and internal control 17/18

Argyll and Bute Council – Corporate Governance Action Plan 2017/2018

Ref	Local Code	Actions to achieve compliance	Success measures	Key dates	Lead	Ref.
CG-1	**Ensuring that risk management is embedded into the culture of the Authority with members and managers at all levels, recognising that risk management is part of their jobs.**	The Council's risk management activity has been assessed as embedded and integrated with individual category scoring demonstrating year on year improvement.	Continue to show year on year improvement against CIPFA benchmarking *Update: The strategic risk register was reviewed and updated by the SMT and reported to the Policy and Resources Committee in August 2017. Risk management arrangements were updated in early 2018 as per the 'Risk Management' section of this Annual Governance Statement.*	31 March 2018	Head SF	CG Code 4.3.1
CG-2	**Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect**	Improvement plan in place re the Accounts Commission findings on the Controller of Audits Statutory Report.	Outstanding action in relation to local empowerment would be monitored via the Community Empowerment Action Group *Update: The Group*	31 March 2018	Ch Exec Exec Dir – Community Services	CG Code 3.1.1

			remains in place and is monitoring the position in relation to those parts of the Community Empowerment (Scotland) Act 2015 which have still to be brought into force. Further meetings will be held as and when required.			
CG - 3	**Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively**	PDP's for Members engaged in the process and PRD's for Officers identify relevant training needs and have development plans in place	Induction programme for Members following LG Elections completed *Update: Complete* Programme of development opportunities/seminars offered to members over the course of the year *Update: In place* Corporate target for completion of Officers PRD's achieved *Update: 46% achieved – Target 90%*	30 June 2017 31 March 2018	Ch Exec and all Executive Directors	CG Code 5.2.1

| CG-4 | **Ensure that arrangements are in place to enable the authority to engage with all sectors of the community effectively. These arrangements should recognise that different sections of the community have different priorities and established explicit processes for dealing with these competing demands.** | 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. | A number of Community Groups using the Toolkit Update: Training has been completed and there is continued opportunity for matters relating to community led action plans to feature in Area Community Planning meetings. *Update: Training has been completed and there is continued opportunity for matters relating to community led action plans to feature in Area Community Planning meetings.* | 31 March 2018 | Exec Dir – Community Services | CG Code 6.2.3 |

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Code of Corporate Governance 2017/18

Date 23 May 2018
Version 1.1 – annual update

Principle 1: Focussing on the purpose of the Authority and on the outcomes for the community, and creating and implementing a vision for the local area

1.1 Supporting Principle: Exercising Strategic Leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users	Evaluation Key 1. Not compliant with local code requirements 2. Partially compliant with local code requirements 3. Fully compliant with local code requirements 4. Exceeds the requirements of the local code

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17	17/18	Lead Officer
1.1.1 Develop and promote the Authority's purpose and vision	The Council's strategic objectives are reflected in the Community Plan, Single Outcome Agreement and Corporate Plan Corporate Plan and Single Outcome Agreement 2013-23 approved by Council and published on the Council's website	Chief Executive/ ED – Customer	3	3	Head of I and HR
	Clear terms of reference are set for the preparation of service plans in the Performance and Improvement Framework to ensure fit with the Corporate Plan Service Plans clearly reflect corporate objectives	Chief Executive/ Executive Directors	3	3	All Service Heads
	Documented meetings have taken place to discuss key objectives in Corporate and Service Plans	Chief Executive	3	3	Executive Directors
	A Communications Strategy has been implemented. Public Performance Reporting Strategy has been implemented. Public performance reporting	Chief Executive	3	3	Head of I and HR
1.1.2 Review on a regular basis the Authority's vision for the local area and its implications for the Authority's governance arrangements	Local Code of Corporate Governance has been developed in line with CIPFA/SOLACE guidelines	ED – Customer	3	3	Head of G and L
	Annual review of the Corporate Plan	Chief Executive/	3	3	Head of

		ED - Customer			I and HR
	Annual review of Service Plans	Executive Directors	3	3	All Service Heads
1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Corporate framework for all partnerships within Argyll and Bute Community Planning Partnership Roles and responsibilities defined for Argyll and Bute Community Planning Partnership	Chief Executive	3	3	Head of C & C
1.1.4 Publish an Annual Report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance	Prepare and publish an Annual report	Chief Executive/ ED - Customer	3	3	Head of I and HR
	Prepare and publish report for local government benchmarking framework Public Performance reporting	Chief Executive/ ED - Customer	3	3	Head of I and HR
	Prepare and publish Annual Accounts and Efficiency Statements	Chief Executive	3	3	Head of SF

1.2 Supporting Principle: Ensuring that users receive a high quality of service whether directly, in partnership, or by commissioning

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	A robust performance management system has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction and linked to PSIF	Chief Executive/ ED - Customer	3	3	Head of I and HR
	Prepare and publish Statutory/Defined Performance Indicator Report. Public performance reporting	Chief Executive/ ED - Customer	3	3	Head of I and HR
	Documented meetings have taken place to discuss performance at service level Audit and Scrutiny	Chief Executive/ Leader	3	3	Executive Directors / Members
1.2.2 Put in place effective arrangements to identify and deal with failure in service delivery	An Audit and Scrutiny Committee has been established. Terms of Reference include governance and risk in addition to financial matters. Audit and Scrutiny Committee meetings	ED – Customer	3	3	Head of G and L

	Part D of Constitution				
	The Council is proactive in reviewing its services through the internal audit team and external auditors Internal Audit Plan in place	Chief Executive	3	3	Head of SF
	The Council has a formally established complaints policy and procedure Complaints procedure web Unified approach to complaints handling across the organisation with a common point of entry. Staff have been trained in dealing with complaints and empowered and supported to deal with complaints	ED – Customer	3	3	Head of G and L
	The complaints system records actions taken to prevent complaints recurring, and evidence that complaints inform positive service improvement. Regular testing of the complaints handling system to ensure it meets consumer needs and expectations	ED – Customer	3	3	Head of G and L
	The Council has in place robust Critical Activity Recovery Plans for its identified critical activities which are subject to regular review and testing	ED - Customer	3	3	Head of G and L

1.3 Supporting Principle: Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
1.3.1 Decide how value for money (VFM) is to be measured and make sure the Authority has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions.	Reviews of Council services to ensure best value principles adhered to Benchmarking: comparing economy, efficiency and effectiveness of services through our involvement in the Local Government Benchmarking Framework benchmarking framework Asset Management BV review	Chief Executive	3	3	All Directors
	A robust performance management system has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction and linked to PSIF	Chief Executive/ ED - Customer	3	3	Head of I and HR
	The authority responds positively to and acts upon the findings and recommendations of external scrutiny	Chief Executive	3	3	Chief Executive
	The Council is proactive in reviewing its services through the internal audit team and external auditors Audit and Scrutiny Committee	SMT Audit Committee	3	3	Head of SF
	Prepare and publish Annual Accounts and Efficiency Statements	Chief Executive	3	3	Head of SF
	Prepare and publish report for local government benchmarking framework	Chief Executive/ ED - Customer	3	3	Head of I and HR

Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

2.1 Supporting Principle: Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions, and the roles and responsibilities of the scrutiny function

Evaluation Key
1. **Not compliant with local code requirements**
2. **Partially compliant with local code requirements**
3. **Fully compliant with local code requirements**
4. **Exceeds the requirements of the local code**

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17	17/18	Lead Officer
2.1.1 Set out a clear statement of the respective roles and responsibilities of Members generally and of senior officers	Statement of roles of Leader and Chief Executive included within the Council Constitution and will be reviewed annually. Part A of constitution	ED – Customer	3	3	Head of G and L
	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework Constitution	ED – Customer	3	3	Head of G and L
	Local Code of Corporate Governance developed in line with CIPFA/SOLACE guidelines	ED – Customer	3	3	Head of G and L
	Roles and responsibilities defined for Argyll and Bute Community Planning Partnership	Chief Executive	3	3	Head of C and C

2.2 Supporting Principle: Ensuring that a constructive working relationship exists between the authority members and officers, and that the responsibilities of members and officers are carried out to a high standard

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
2.2.1 Determine a scheme of delegation and reserve powers within the constitution, including a formal scheme on those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework Constitution	ED – Customer	3	3	Head of G and L
	There are Terms of Reference and reporting arrangements for all sub-committees of the Authority Part C of Constitution	ED – Customer	3	3	Head of G and L
2.2.2 Make the Chief Executive responsible and accountable to the authority for all aspects of operational management.	Responsibilities of Chief Executive detailed within Council Constitution Part A of Constitution	ED – Customer	3	3	Head of G and L
2.2.3 Make a senior officer (the Section 95 Officer) responsible to the authority for ensuring that appropriate advice is given for all financial matters, for keeping proper financial records and accounts, and for maintaining effective systems of internal financial control.	Section 95 Officer role identified in the Council Constitution and included as a member of the Strategic Management Team Part A of Constitution	Chief Executive ED – Customer	3	3	Head of SF
	Standing Orders and financial regulations contained in the Council Constitution Constitution	ED – Customer	3	3	Heads of G and L C and S SF
	Council Accounts comply with statutory and professional reporting standards and are prepared and approved in accordance with a preset timetable Part D of Constitution	Chief Executive	3	3	Head of SF
2.2.4 Make a senior officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Senior Officer designated as Monitoring Officer. Role and responsibilities set out in the Council Constitution taking account of comments from Audit Scotland report. Constitution Monitoring Officer Protocol in place	ED – Customer	3	3	ED – Customer

2.3 Supporting Principle: Ensuring relationships between the authority, its partners and the public are clear so that each other knows what to expect of the other

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
2.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles	Protocols for Member / Officer relations detailed in the Council Constitution Constitution The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members Part F of Constitution Recommendations in Audit Scotland Report approved and Action Plan agreed Monitoring Officer Protocol in place	ED – Customer	3	3	Head of G and L
2.3.2 Ensure that an established scheme for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable) are in place.	Structured pay scales reflecting competence for Officers; Core Conditions of Service for Officers Core conditions of service Scheme for Member remuneration and allowances. Part F of Constitution	Chief Executive/ ED – Customer	3	3	Head of I and HR
2.3.3 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.	Roles and responsibilities defined for Argyll and Bute Community Planning Partnership Reference within Councillor Code of Conduct to partnership working Part F of Constitution Members Training refers to Improvement Service notebook on Corporate Governance	Chief Executive	3	3	Head of C and C

Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

3.1 Supporting Principle: Ensuring authority members and officers exercise leadership be behaving in ways that exemplify high standards of conduct and effective governance

Evaluation Key
1. **Not compliant with local code requirements**
2. **Partially compliant with local code requirements**
3. **Fully compliant with local code requirements**
4. **Exceeds the requirements of the local code**

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17	17/18	Lead Officer
3.1.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	The authority responds positively to and acts upon the findings and recommendations of external scrutiny.	ED – Customer	3	3	Head of G and L
	The Council Constitution contains Standing Orders for meetings, a Scheme of Administration and Delegations, an Ethical Framework and a Code of Conduct Constitution		3	3	
	Formal meetings of the Council and its Committees held in private in accordance with legislation	ED – Customer	3	3	Head of G and L
	The Council has a formally established complaints policy and procedure. Complaints procedure Complaints procedure web	ED – Customer	3	3	Head of G and L
	Minutes and Committee reports are published on the Council's website mod.gov	ED – Customer	3	3	Head of G and L
	Compliance with the Data Protection and Freedom of Information Acts FOI and DP	ED – Customer	3	3	Head of G and L
3.1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and	Protocols for Member / Officer relations detailed in the Council Constitution.	ED – Customer	3	3	Head of G and L

between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members Part F of Constitution				
3.1.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	Council Constitution contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy Constitution	ED – Customer	3	3	Head of G and L
	Register of Members Interests is maintained Form issued to Members	ED – Customer	3	3	Head of G and L

3.2 Supporting Principle: Ensuring that organisational values are put into practice and are effective

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
3.2.1 Develop and maintain shared values for both the organisation and staff reflecting public expectations, and communicating these with members, staff, the community and partners	The Council's strategic objectives are reflected in the Community Plan, Single outcome agreement and Corporate Plan Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website	Chief Executive	3	3	Head of I and HR
3.2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework Constitution	ED – Customer	3	3	Head of G and L
	The Council Constitution contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy Constitution	ED – Customer	3	3	Head of G and L

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk

4.1 Supporting Principle: Being rigorous and transparent about how decisions are taken, and listening and acting on the outcome of constructive scrutiny

Evaluation Key
1. **Not compliant with local code requirements**
2. **Partially compliant with local code requirements**
3. **Fully compliant with local code requirements**
4. **Exceeds the requirements of the local code**

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17	17/18	Lead Officer
4.1.1 Develop and maintain an effective scrutiny function which encourages constructive challenges and enhances the authority's performance overall and that of any organisation for which it is responsible.	The role of scrutiny has been established through a scheme of delegation and committee structures. Part C of Constitution Audit and Scrutiny Committee has been established	ED – Customer	3	3	Head of G and L
4.1.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	Minutes and Committee reports are published on the Council's website mod.gov	ED – Customer	3	3	Head of G and L
	Formal meetings of the Council and its Committees held in private in accordance with legislation	ED – Customer	3	3	Head of G and L
4.1.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Protocols of Member / Officer relations detailed in the Council Constitution Part F of Constitution	ED – Customer	3	3	Head of G and L
	Protocols for Member / Officer relations detailed in the Council Constitution. The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members Part F of Constitution	ED – Customer	3	3	Head of G and L

	The Council Constitution contains the Councillors Code, Audit and Scrutiny Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy Constitution	ED – Customer	3	3	Head of G and L
	Register of Members Interests is maintained Form issued to Members	ED – Customer	3	3	Head of G and L
	The Council Constitution contains Standing Orders relating to Contracts Part E of Constitution	ED – Customer	3	3	Heads of G and L C and S, SF
4.1.4 Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other arrangements for the discharge of the functions of such a committee.	An Audit and Scrutiny Committee has been established. Terms of Reference include governance and risk in addition to financial matters. Audit and Scrutiny Committee meetings Part D of Constitution	ED – Customer	3	3	Head of G and L

4.2 Supporting Principle: Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
4.2.1 Ensure that those making decisions are provided with information that is fit for purpose, relevant, timely, and gives clear explanations of technical issues and their implications.	Relevant information available to decision makers	Executive Directors	3	3	Executive Directors
4.2.2 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately.	Relevant advice and information available to decision makers	Executive Directors	3	3	Executive Directors

4.3 Supporting Principle: Ensuring that an effective risk management system is in place

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
4.3.1 Ensuring that risk management is embedded into the culture of the Authority with members and managers at all levels, recognising that risk management is part of their jobs.	A risk based approach is a key component of the Council's approach to Planning and Performance Management (Service Planning process requires identification of associated risks. Budget Monitoring process is risk based where a number of criteria are used to classify risk category of particular cost centres.) Service Plans	Chief Executive	3	3	Head of SF
	Strategic and Operational Risk management procedures and processes in place The Council is a member of the CIPFA benchmarking club for risk management.	Chief Executive	3	3	Head of SF
	Appropriate training on risk management is provided to Members and Officers. Risk Management Training	Chief Executive	3	3	Head of SF
	Key documents to underpin the approach to risk management include a Risk Management Policy Statement and Risk Management Guidance.	Chief Executive	3	3	Head of SF
	The SMT has a role to oversee the effectiveness of risk management	Chief Executive	3	3	Head of SF
	Progress reports on the development of risk management have been submitted to the Audit and Scrutiny Committee during the year.	ED – Customer	3	3	Head of G and L
4.3.2 Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.	Whistle blowing policy Public Interest Disclosure Policy in Council Constitution Part D of Constitution - anti-fraud strategy	ED – Customer	3	3	Head of G and L

	including public interest disclosure policy				

4.4 Supporting Principle: Using their legal powers to the full benefit of the citizens and communities in their area

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
4.4.1 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	Council Constitution reflects the legal requirements placed upon the authority Constitution	ED – Customer	3	3	Head of G and L
	Statutory Plans, for example Local Development Plan local development plan	ED – D and I	3	3	Head of P and R
	Senior Officer designated as Monitoring Officer. Role and responsibilities set out in the Council Constitution. Constitution	ED – Customer	3	3	ED – Cus S
4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters Elected Member Resources	ED – Customer	3	3	Head of G and L
	Advice from the Council's Chief Legal Officer or their nominated Officer is available at all decision making meetings Legal advice is available to all departments from the Council's Legal Services department	ED – Customer	3	3	Head of G and L
4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice, into their procedures and decision making processes.	Council Constitution reflects the legal requirements placed upon the Council Constitution	ED – Customer	3	3	Head of G and L
	Senior Officer designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution Constitution	ED – Customer	3	3	ED – Customer

Principle 5: Developing the capacity and capabilities of members and officers to be effective

5.1 Supporting Principle: Making sure that members and officers have the skills, knowledge and experience, and resources they need to perform their roles well	Evaluation Key 1. Not compliant with local code requirements 2. Partially compliant with local code requirements 3. Fully compliant with local code requirements 4. Exceeds the requirements of the local code

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17	17/18	Lead Officer
5.1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	Induction Training provided to all new Elected Members	ED – Customer	3	3	Head of G and L
	The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members Code of conduct in Constitution	ED – Customer	3	3	Head of G and L
	Corporate Induction Programme in place for all new employees	ED – Customer	3	3	Head of I and HR
	Development and performance review process in place for eligible employees, with training and development plans	ED – Customer	3	3	Head of I and HR
5.1.2 Ensure that statutory officers have the skills, resources and support necessary to perform actively in their roles and that these roles are properly understood throughout the authority.	Development and performance review process in place for eligible employees, with training and development plans	ED – Customer	3	3	Head of I and HR
	Job descriptions and Person Specifications in place for employees	ED – Customer	3	3	Head of I and HR

5.2 Supporting Principle: Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
5.2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Development and performance review process in place for eligible employees, with training and development plans PRD process PDP process for Members	ED – Customer	3	3	Head of I and HR
	Training provided to relevant Members and Officers in areas of identified need Elected Member Resources Council has signed up to Improvement Service CPD Framework IS CPD Framework	ED – Customer	3	3	Heads of I and HR G and L
5.2.2 Develop skills on a continuing basis to improve the performance, including the ability to scrutinise and challenge and to recognise when outside advice is needed.	Development and performance review process in place for eligible employees, with training and development plans PRD process PDP process for members	ED – Customer	3	3	Head of I and HR
	Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters Elected Member Resources Council has signed up to Improvement Service CPD Framework IS CPD Framework	ED – Customer	3	3	Heads of I and HR G and L
	An Audit and Scrutiny Committee has been established. Terms of Reference include governance and risk in addition to financial matters. Audit and Scrutiny Committee meetings	ED – Customer	3	3	Head of G and L

	Part D of Constitution				
5.2.3 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example, aim to address any training or development needs.	An Audit and Scrutiny Committee has been established. Terms of Reference include governance and risk in addition to financial matters. Audit and Scrutiny Committee meetings Part D of Constitution	ED – Customer	3	3	Head of G and L
	Development and performance review process in place for eligible employees, with training and development plans PRD process PDP process for members Council has signed up to Improvement Service CPD Framework IS CPD Framework	ED – Customer	3	3	Head of I and HR
	Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters Elected Member Resources	ED – Customer	3	3	Heads of I and HR G and L

5.3 Supporting Principle: Encouraging new talent so that best use can be made of individuals skills and resources in balancing continuity and renewal

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
5.3.1 Ensure that effective arrangements are in place designed to encourage individuals from all section of the community to engage with, contribute to and participate in the work of the Authority.	Community Planning activity Better Community Engagement Pack	Chief Executive	3	3	Executive Directors

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

6.1 Supporting Principle: Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	Evaluation Key 1. Not compliant with local code requirements 2. Partially compliant with local code requirements 3. Fully compliant with local code requirements 4. Exceeds the requirements of the local code

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
6.1.1 Clearly defined lines of accountability	Public Performance Reporting Strategy Communications Strategy Better Community Engagement Pack	Chief Executive/ ED – Customer	3	3	Head of I and HR
	The Council's strategic objectives are reflected in the Community Plan, Single outcome agreement and Corporate Plan Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website	Chief Executive/ ED – Customer	3	3	Head of I and HR
6.1.2 Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	Ability to communicate with discrete groups in an appropriate manner Communications Strategy	Chief Executive	3	3	Executive Directors
6.1.3 Produce an annual report on the activity of the scrutiny function.	Annual Audit report	Chief Executive	3	3	Head of SF

6.2 Supporting Principle: Taking an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the authority or in partnership

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
6.2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively.	Ability to communicate with all groups in an appropriate manner Social Media Policy Communications Strategy	ED – Customer	3	3	Head of I and HR
6.2.2 Hold meetings in public unless there are good reasons for confidentiality	Minutes and Committee reports are published on the Council's website mod.gov	ED – Customer	3	3	Head of G and L
	Formal meetings of the Council and its Committees held in private in accordance with legislation	ED – Customer	3	3	Head of G and L
	Compliance with the Data Protection and Freedom of Information Acts FOI and DP	ED – Customer	3	3	Head of G and L
6.2.3 Ensure that arrangements are in place to enable the authority to engage with all sectors of the community effectively. These arrangements should recognise that different sections of the community have different priorities and established explicit processes for dealing with these competing demands.	Ability to communicate with discrete groups in an appropriate manner Better Community Engagement Pack	Chief Executive	3	3	Executive Directors
6.2.4 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and satisfaction of service users in the previous period.	The Council's strategic objectives are reflected in the Community Plan, Single outcome agreement and Corporate Plan Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website	Chief Executive/ ED – Customer	3	3	Head of I and HR
	Prepare and publish Annual Accounts and Efficiency Statements	Chief Executive	3	3	Head of SF
	Prepare and publish an Annual Report	Chief Executive/	3	3	Head of

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Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
		ED – Customer			I and HR
	Prepare and publish report for local government benchmarking framework Public performance reporting	ED – Customer	3	3	Head of I and HR
6.2.5 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	Minutes and Committee reports are published on the Council's website mod.gov	ED – Customer	3	3	Head of G and L
	Formal meetings of the Council and its Committees held in private in accordance with legislation	ED – Customer	3	3	Head of G and L
	Compliance with the Data Protection and Freedom of Information Acts FOI and DP	ED – Customer	3	3	Head of G and L

6.3 Supporting Principle: Making best use of human resources by taking an active and planned approach

Local Code	Evidence Demonstrating Compliance with links to full documents/further information	Responsible	Evaluation 16/17 17/18		Lead Officer
6.3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	The Council has in place an Employee Joint Consultative Committee (EJCC) Structure for Trade Union engagement in place	ED – Customer	3	3	Head of I and HR
	Development and performance review process in place for all employees, with training and development plans PRD process employees PDP process for Members	ED – Customer	3	3	Head of I and HR
	Mechanisms and processes are in place for communication and engagement with employees The Hub – news – cascade	ED – Customer	3	3	Head of I and HR
6.3.2 Planned approach to securing a workforce for the future	The Council has in place strategies for the Recruitment and Retention of employees	ED – Customer	3	3	Head of I and HR

Argyll and Bute Council – Corporate Governance Action Plan 2018/2019

Ref	Local Code	Actions to achieve compliance	Success measures	Key dates	Lead	Ref.
CG-1	**Make a senior officer (the Section 95 Officer) responsible to the authority for ensuring that appropriate advice is given for all financial matters, for keeping proper financial records and accounts, and for maintaining effective systems of internal financial control.**	Implementation of new capital monitoring processes and a revised capital prioritisation process	Processes approved and in place	31 March 2019	Chief Executive/ Head SF	2.2.3
CG-2	**Develop and maintain an effective scrutiny function which encourages constructive challenges and enhances the authority's performance overall and that of any organisation for which it is responsible.**	Implementation of the new approach to scrutiny with scrutiny reviews reported to the Audit and Scrutiny Committee	Reporting procedure to Audit and Scrutiny Committee in place	31 March 2019	Head SF	4.1.1
CG-3	**Recognise the limits of lawful action and observe both the specific requirements of legislation**	Full implementation of the requirements of GDPR and the new Data Protection Act	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities	31 March 2019	Exec Dir – Customer Services/ Head G&L	4.4.2

			placed on local authorities			
CG - 4	**Ensure that an established scheme for remuneration of members and officers and an effective structure for managing the process are in place.**	Improving efficiency and accuracy in payroll processing through full roll out of electronic payslips and greater automation	Processes in place and assessment of benefits undertaken	31 March 2019	Exec Dir – Customer Services/ Head I&HR	2.3.2
CG-5	**Ensure that those making decisions are provided with information that is fit for purpose, relevant, timely, and gives clear explanations of technical issues and their implications.**	Establishing a control hub within Roads and Amenity Services with responsibility for programming, delivering and monitoring Roads and Amenity Services	Control hub in place and monitoring of effectiveness undertaken	31 March 2019	Exec Dir – Development and Infrastructure/Head R&A	4.2.1
CG-6	**Ensure that those making decisions are provided with information that is fit for purpose, relevant, timely, and gives clear explanations of technical issues and their implications.**	Extend equality impact assessments to include a socio-economic impact assessment to ensure that all major decisions taken by the Council have regard to the Fairer Scotland duty.	New impact assessment in place and used for all major decisions	31 March 2019	Head of I&HR	4.2.2
CG-7	**Ensure that partnerships are underpinned by a common vision of their work that is understood**	A review of the Integration Scheme with a particular focus on risk sharing	1.Agreement to review by NHS Highland	30 June 2018	Executive Director Customer Services	1.1.3

and agreed by all partners	arrangements, this review will be carried out in partnership with NHS Highland.	2.Report on outcome of review concluded	31 December 2018		
	The IJB are required to consult and engage on the next 3 year Strategic Plan, this will require to be agreed by Argyll and Bute Council and NHS Highland.	Develop the Strategic Plan for next 3 years	31 March 2019	Head Of Strategic Planning and Performance (HSCP)	

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BACKGROUND / SCOPE OF RESPONSIBILITY

The governance framework includes the systems, processes and culture by which the Council is controlled and engages with communities and allows the Council to monitor the achievement of strategic objectives. The 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 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 the 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 and is also available on the Council's website.

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 2017/18 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 sets out our, and our Community Planning Partner's, vision for Argyll and Bute's economic success to be built on a growing population. It also defines our mission "To make Argyll and Bute a place people choose to live, learn, work and do business" and establishes our outcomes, priorities and approach to delivering on our shared ambition with our community partners.

We have a Performance Improvement Framework (PIF) that ensures performance is integral to the work of the Council. The PIF is focused not just on measuring what we do but on measuring the difference we make in terms of our outcomes.

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 Audit and Scrutiny Committee, which meets four times a year, has a key role in reviewing and scrutinising how we are meeting our strategic objectives as well as promoting good internal control, financial and risk management, governance and performance management, in order to provide reasonable assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

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

We updated our constitution in April 2018 to define the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

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).

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 all that we do and provide a sound basis to achieve transformation to ensure we meet the challenges of the future and deliver quality services. These values are that we have a workforce which is:

- Caring
- Committed
- Collaborative
- Creative

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 and Scrutiny Committee

undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities. The Audit and Scrutiny Committee receive an annual risk management overview report and have developed a Scrutiny Framework and Manual to support the performance of scrutiny reviews which will be rolled out in 2018/19.

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

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. We are in contact with all elected members about progressing and maintaining their personal development plans and work on this continues apace to ensure that their training needs and aspirations are quickly identified and solutions provided where possible. This work complements the elected member seminar programme which is in place for 2018/19 and which also picks up, where possible, any particular training needs highlighted through the PDP process. Following the election in May, all Members of the new Council were provided with a full induction programme.

The Audit and Scrutiny Committee held a development day in 2017/18 focusing primarily on the development of scrutiny but also to introduce new members of the Committee to some of the fundamental principles of internal audit and risk management.

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.

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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 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 the Community Planning and Community Development Service 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 three 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. The fourth (Helensburgh and Lomond) is supported by Scottish Fire and Rescue on a partnership basis as agreed by the management committee.

It also supports community engagement 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 partners leading each 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.

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GOVERNANCE ROLES AND RESPONSIBILITIES

The Council has 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

- 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 Financial Officer, to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial 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.

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 provide 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, puts financial pressures on councils. Furthermore progress with Brexit negotiations are ongoing but uncertainty still remains as to what the economic implications are.

In 2017/18 the Council developed a medium to longer term financial strategy designed to ensure the Council addresses the challenges it faces effectively. It covers the period 2018/19 to 2020/21 in detail and provides high level estimates for the period 2021 to 2028. The principal objectives of the financial strategy are:

- Outline Argyll and Bute Council's high level financial position over the years 2018-2028 based on a range of assumptions.

- Highlight the key issues that have been considered in developing the strategy.

- Ensure that available resources are focused on delivery of the Council's key priorities.

- Plan for a sustainable revenue budget and capital investment programme which will support the Council's key priorities.

- Ensure that the Council is fully aware of the financial challenges and uncertainties that it faces and is in a strong position to continue to deliver the best possible quality and range of services within available resources.

- Increase the wider community's understanding of the Council's financial position and the challenges it is facing over the next ten years in balancing its budget.

The Council's Transformation Board has, to date, focused on identifying savings across front line delivery services based on four operating principles of business cost reduction, income maximisation, service redesign and self-funding. The Transformation Board are continuing their transformation journey and in February 2018, as part of the budget pack, reported on their transformation activities for 2018/19 and beyond including a comprehensive root and branch review of the delivery of services to inform the future shape of the Council for 2019/20 and beyond.

INTERNAL FINANCIAL CONTROL

The Council has put in place a system of internal financial control designed to manage risk to a reasonable level. It 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.

Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

- Live Argyll

- Argyll and Bute Integration Joint Board

RISK MANAGEMENT

The Council's Risk Management processes are well developed. In particular the:

- Head of Strategic Finance submits an annual risk management overview report to the Audit and Scrutiny Committee.
- Strategic Risk Register is updated twice a year and approved by the strategic management team (SMT).
- Operational Risk Registers are updated quarterly by departmental management teams.

The Council's risk management manual and risk registers were refined in early 2018 and further improvements to the risk management process were agreed by the SMT. Key improvements were:

- risks are no longer categorised as 'supply' or 'demand'

- risks are aligned to the service plan challenges

- key actions, with timescales, for risks to be 'treated' are documented

- all red risks identified in operational risk registers are escalated to the SMT for consideration

Internal Audit will perform an audit of risk management in 2018/19 to provide assurances that the revised processes are operating effectively.

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 and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan.

The Chief Internal Auditor provides the Audit and Scrutiny 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 Chair of the Audit and Scrutiny Committee is an independent lay member.

During 2017/18, 1 of the 26 audit reports presented to the Audit & Scrutiny Committee had an overall audit opinion of 'limited' assurance. Management have accepted 100% of audit recommendations and a robust follow-up system is in place with progress reports presented to the SMT on a monthly basis.

During 2017/18 the following developments were made within internal audit:

- A new Chief Internal Auditor was appointed in October 2017.

- Introduction of new working practices, reporting templates and a revised internal audit charter and manual.

- Introduction of team development days to ensure internal audit continues to develop the necessary skills and knowledge to carry out their role effectively.

- Audit reports are presented to the Audit and Scrutiny Committee in their entirety, replacing the previous process to remove recommendations classified as 'low' priority.

- Audit reports are presented to the SMT.

- Introduction of a new Scrutiny Framework and Scrutiny Manual to provide governance over the roll out of scrutiny during 2018/19.

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, supported by the Chief Officer, 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. 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 2017/18 and the internal auditor for the IJB will issue a formal report for the year to assess the framework of controls in place to provide 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.

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Progress is being made in the operation of the Integration Joint Board to ensure appropriate governance and information sharing arrangements are in place. 2017-18 was the second year of the Health and Social Care Partnership which has allowed arrangements to bed in and an opportunity for reflection and review of the effectiveness of arrangements.

UPDATE ON AREAS FOR DEVELOPMENT IN 2016/17 ANNUAL GOVERNANCE STATEMENT

The 2016/17 Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

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Area	2017/18 Update
Financial Strategy	A medium to long term financial strategy (2018/19 – 2027/28) was approved by the Policy and Resources Committee in October 2017. The strategy will be subject to annual review to reflect any changes to underlying assumptions.
Transformation Board	The Transformation Board focus of attention in 2017/18 was on identifying savings across front line delivery services based on four operating principles of business cost reduction, income maximisation, service redesign and self-funding. Some of the savings options identified were efficiency in nature and were reported to Council in October. Others were agreed by the Council in February 2018 to be delivered from 2018/19. The Transformation Board are continuing their transformation journey and in February 2018, as part of the budget pack, reported on their transformation activities for 2018/19 and beyond.
Strategic Workforce Planning	The Strategic Workforce Plan 2018-22 was approved by Council in April 2018. The plan aligns with the Council's Corporate Plan, Transformation Agenda and medium to long term financial strategy. The plan highlights the overall challenges facing the organisation in terms of workforce and identifies key risks in specific service areas for future workforce needs. The plan will be monitored through updates to the Policy and Resources Committee.
Strategic Risk Register and Risk Management Arrangements	The strategic risk register was reviewed and updated by the SMT and reported to the Policy and Resources Committee in August 2017. Risk management arrangements were updated in early 2018 as per the 'Risk Management' section of this Annual Governance Statement.
Health & Social Care Partnership	During the year the frequency of information reporting to the IJB has been reviewed including performance, staff and clinical governance information. In addition a new subcommittee to support the financial governance of the IJB was established. These areas will continue to be kept under review to ensure they meet the requirements of the partnership.
Education	In partnership with Education Scotland, the Education Service had a follow through inspection in September 2017 with the published report available in December 2017. The report indicated that the Education Service had made positive improvements across the five main action points. A return visit is planned for May 2018.
Community Engagement and Local Empowerment	Training has been completed and there is continued opportunity for matters relating to community led action plans to feature in Area Community Planning meetings.
Local Scrutiny Plan	The Council's 2018/19 Local Scrutiny Plan was reported to the Audit & Scrutiny Committee in June 2018. It confirms that the Local Area Network has not identified any additional risk areas for the Council where specific scrutiny is required.
Performance and Improvement	Since the approval of the PIF in 2017 there have been specific improvements implemented including alignment of quarterly reporting

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Framework	templates with the Business Outcomes, further revision of the Business Outcomes to simplify them further and engagement with the Chair of the Audit and Scrutiny Committee which resulted in a new mechanism for presenting performance information to members and to enable more effective scrutiny.
Open and Transparent Culture	In 2018/19 internal audit will be carrying out an audit of organisational culture. This will include input from both Council Officers and Elected Members.
New Legislation	The SMT continues to review new legislation as a standing agenda item.
Political Management Arrangements	Council considered the report and introduced revised Political management arrangements adopting many but not all of the suggestions form the SLWG. The constitution has been through its annual review in April 2018 and some minor adjustments were made. The Council continues to proactively review its Constitution including its political management arrangements.

ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2018/19, particularly in the context of continuous improvement within the Council:

- Implementation of the new approach to scrutiny with scrutiny reviews reported to the Audit and Scrutiny committee.

- Full implementation of the requirements of GDPR and the new Data Protection Act.

- Improving efficiency and accuracy in payroll processing through full roll out of electronic payslips, greater automation of payroll processing

- Establishing a control hub within Roads and Amenity Services with responsibility for programming, delivering and monitoring roads and amenity activities.

- Implementation of new capital monitoring processes and a revised capital prioritisation process.

- Extend equality impact assessments to include a socio-economic impact assessment to ensure that all major decisions taken by the Council have regard to the Fairer Scotland duty.

- The Council have requested a review of the Integration Scheme with a particular focus on risk sharing arrangements, this review will be carried out in partnership with NHS Highland.

- 2018-19 will be the last year of the current Strategic Planning period and the IJB are required to consult and engage on the next 3 year Strategic Plan, this will require to be agreed by Argyll and Bute Council and NHS Highland.

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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

- statements of assurance provided by the Council's Chief Executive, Executive Directors and Heads of Service

- external review and inspection reports; and

- recommendations from the Audit and Scrutiny 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 2017/18 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.

Audit & Scrutiny Committee Work Plan 2018 - 2019

This is an outline plan to facilitate forward planning of reports to the Audit & Scrutiny Committee

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
19 June 2018					
	Council Strategic Risk Register Update	Chief Executive	Annual	25 May 2018	
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	25 May 2018	
	Internal Audit Annual Report 2017-18	Chief Internal Auditor	Annual	25 May 2018	
	Internal Audit Reports to Audit Committee 2017/18 • Street Lighting • Psychological Services • ICT – SLA and User Testing • Waste Management • Trading Standards 2018/19 • General Data Protection Regulation • Purchasing Cards	Chief Internal Auditor	Quarterly	25 May 2018	
	Internal Audit Report Follow-up	Chief Internal Auditor	Quarterly	25 May 2018	
	Review of Code of Corporate	Governance and Risk	Annual	25 May 2018	

Audit & Scrutiny Committee Work Plan 2018 - 2019

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
	Governance	Manager			
	External Audit Interim Controls Report	External Audit	Annual	25 May 2018	
	Local Government Benchmarking Framework Report	Head of Improvement & HR	Annual	25 May 2018	
	Unaudited Financial Accounts	Head of Strategic Finance	Annual	25 May 2018	
	Local Scrutiny Plan	Head of Strategic Finance	Annual	25 May 2018	
	2018/19 Scrutiny Plan	Chief Internal Auditor	Annual	25 May 2018	
	Local Government in Scotland: Challenges and performance 2018	Jane Fowler	Annual	25 May 2018	
	Scrutiny Manual	Chief Internal Auditor	One-Off	25 May 2018	
25 September 2018					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	24 August 2018	
	Internal Audit Reports to Audit Committee 2018/19 - Financial Planning - Member Services - Equality & Diversity - Environmental Services - Carefirst - Live Argyll Governance, Recording and Reporting	Chief Internal Auditor	Quarterly	24 August 2018	

Audit & Scrutiny Committee Work Plan 2018 - 2019

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
	• Adult Learning; • Community Empowerment Act				
	Internal Audit Report Follow-up	Chief Internal Auditor	Quarterly	24 August 2018	
	Audited Financial Accounts	Head of Strategic Finance	Annual	24 August 2018	
	External Audit Annual Report	Audit Scotland	Annual	24 August 2018	
	Treasury Management Annual Assurance Report	Head of Strategic Finance	Annual	24 August 2018	
	Internal Audit Compliance with PSIAS	Chief Internal Auditor	One-Off	24 August 2018	
	Accounts Commission Annual Report 2017/18	Chief Internal Auditor	Annual	24 August 2018	
18 December 2018					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	23 November 2018	
	Internal Audit Reports to Audit Committee 2018/19 • Off-Payroll Working • Housing Benefit & Council Tax Reduction • Operating Manual (Oban Airport) • Planning Fees • Marine Services (Jura Ferry)	Chief Internal Auditor	Quarterly	23 November 2018	

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Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
	• Waste Management				
	Internal Audit Report Follow-up	Chief Internal Auditor	Quarterly	23 November 2018	
	Draft Annual Audit Plan	Chief Internal Auditor	Annual	23 November 2018	
	VAT Update Report	Head of Strategic Finance	Annual	23 November 2018	
	Treasury Management Strategy Statement and Annual Investment Strategy 2019/20	Head of Strategic Finance	Annual	23 November 2018	
	Risk Management Overview	Head of Strategic Finance	Annual	23 November 2018	
19 March 2019					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	22 February 2019	
	Internal Audit Reports to Audit & Scrutiny Committee 2018/19 • Organisational Culture • Performance Management • School Fund Governance • Self Directed Support • Early Years Provision	Chief Internal Auditor	Quarterly	22 February 2019	
	Internal Audit Report Follow-up	Chief Internal Auditor	Quarterly	22 February 2019	
	External Audit Annual Plan	External Audit	Annual	22 February 2019	
	Internal Audit 2018-19 Annual	Chief Internal Auditor	Annual	22 February 2019	

Audit & Scrutiny Committee Work Plan 2018 - 2019

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
	Plan				
	Year End Timetable	Head of Strategic Finance	Annual	22 February 2019	
	Risk Management Overview	Head of Strategic Finance	Annual	22 February 2019	
	Council Performance Report – April to September	Head of Improvement & HR	Annual	22 February 2019	
	Audit Scotland – Local Government in Scotland: Financial overview 2017/18	Head of Strategic Finance	Annual	22 February 2019	
	Treasury Management Strategy Statement and Annual Investment Strategy 2018-19	Head of Strategic Finance	Annual	22 February 2019	
	Internal Audit Charter and Internal Audit Manual	Chief Internal Auditor	Annual	22 February 2019	
Future Reports – dates to be determined					
	2018/19 IA reports: • Land & Asset Disposal • Roads Maintenance	Chief Internal Auditor	Quarterly		

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