

1 Costs of elected members

This revised budget covers the basic salaries of 36 elected members plus oncosts. There are only 4 additional responsibility allowances that *may* be paid to the 4 area chairs @ a maximum of £3k each, subject to each area's agreement. Members may feel no responsibility allowances should be paid at all. That, however, is a matter for each area. A much reduced budget for travel has been factored in due to the hugely reduced need to travel. We propose to withdraw from Cosla membership. This will produce a cash saving of £ 61,242 but only from 2017/18. Members may wish to note that the real cost of Cosla membership is much higher than the fee once staff and member time plus travel costs are factored in, perhaps 4 times as much.

Current budget for elected members		£	1,235,000
Revised budget for elected members		£	937,442
Savings		£	297,558
Saving as a percentage			24%

2 Corporate Management Structure

Due to the decentralised model, the top 3 layers in the current management structure will be converted into 4 locally based management teams comprising 4 area managers who will collectively be the corporate management team of the council along with the head of legal (monitoring officer), head of education, head of social work and head of finance. The 4 area managers will either operate a rota system so that one of this group at any given time acts as chief executive or that the role is a jointly shared one. This is not a normal arrangement but it has worked elsewhere and it is suited to working here with our diverse areas and interests. The corporate responsibilities of the council as a whole will be the operational responsibility of the corporate management team. The political dimension to the corporate whole will come from the 4 area chairs. The costs in the summary below include a 50% share of the costs for the Chief Officer of the Integrated Joint Board.

Each area manager will have 1 administrative assistant and 1 personal assistant. Each of the 4 heads of service will have 1 administrative assistant. In order to effect this change, and to ensure the necessary savings while still paying attractive salaries, Argyll & Bute Council will withdraw from the arrangement that sets the salaries of chief officers.

The figures below illustrate the savings in 2016/17 assuming a) the savings from the chief executive's post being vacant for 1.5 months from mid May 2016 and b) the new structure being in place from the start of July 2016, ie allowing a full 4.5 months to implement this from the date of the council budget meeting.

The summary taken from the detail is:

Current Corporate Management Costs				£ 2,935,000
Revised Corporate Management Costs				£ 1,884,767
Saving				£ 1,050,233
Saving as a percentage				36%

3 Staff Travel and subsistence budget

As a direct result of the decentralised model, the staff travel and subsistence budget can be hugely reduced. To add to this reduction, the greatly improved VC facilities (see proposal on a draw from reserves later) will minimise the need to travel. These facilities, combined with the existing Lync telephony system, will transform operations and increase efficiency. Perhaps more importantly, reduced travel will minimise lost productivity while travelling and, in so doing, take one of the stress factors off council staff. There have been suggestions that this cut is too large; we disagree but if this proves to be the case, an additional option is to reduce the mileage rate to 35p per mile from 45p, as other bodies in the public sector have done, following consultation with the trade unions.

Current travel and subsistence budget				£ 1,680,208
Revised travel and subsistence budget				£ 730,208
Saving				£ 950,000
Saving as a percentage				57%

4 Strategic Finance

We propose to accept the options shown in Service Choices for strategic finance but structured in a different manner. There will be significant need for the current strategic finance team for the first 6 months of 2016/17 in order to assist with the major budget exercise taking place then. It is then proposed that the full 2 year cuts set out in the Service Choices option are taken in the 2nd half of 2016/17. The figures below reflect the full 2 year savings over the remaining 6 months of the financial year.

Current strategic finance budget				£ 1,743,235
Revised strategic finance budget				£ 1,364,235
Saving				£ 189,500
Saving as a percentage				11%

5 Adult Literacies, School Libraries and the Public Library Service

There is a logic in our view to treating these 3 services as one for the purpose of establishing an alternative way of delivering the savings. The proposal is to end adult literacies and public libraries

as internally delivered services but to retain the school library service as is but with an added responsibility.

We propose to accept a saving of £ 400,000 and use the balance of £ 261,259 to seek tenders to run an adult learning and literacies service based within the public libraries. This level of funding would need to be offered for a 5 year period in order to attract interest and to sustain the service.

We propose to retain the school library service as it is and delete the current proposal. However, the services of the current professional school librarians' expertise will be extended to act as part time professional advisors to the operator of the public library service and adult literacies service.

The public library service costs £1,396,524 We propose to take a saving of £ 800,000 and offer £ 635,027 per annum to run the service for 5 years together with the adult literacies service. This figure includes a transfer from the property maintenance budget of £ 38,503. The current public library premises will be offered on a 5 year peppercorn rent basis as part of the tender with the successful bidder required to accept a full insuring and repairing lease. The successful tenderer will be expected to retain some kind of mobile library service, if financially feasible, possibly by working with the 3rd sector to do this, eg Cowal Elderly Befrienders may be able to deliver this in Bute and Cowal.

The combined tender, if won by a charitable body, would also benefit from non domestic rates relief, effectively meaning a saving of £120k per annum. The sharing of the overheads to both services, possibly combined with a wider use of the public libraries, should produce the efficiency savings needed to ensure the library service is safe from further cuts in future years.

Current adult literacies & library budget		£ 2,057,783
Revised adult literacies and library budget		£ 896,286
Saving		£ 1,200,000
Saving as percentage excl. Property. Maintenance allocation		58%

6 Economic Development

We propose that this is no longer a directly managed function with a saving being made, the department as is wound up and an agreement sought with a 3rd party, ideally Highlands & Islands Enterprise, to deliver our priorities for us. A similar arrangement will be sought with Scottish Enterprise for the Helensburgh & Lomond area. This would have the benefit of making a major saving and creating a single point of contact for the delivery of economic development, ie with the Scottish Government's key economic development agencies, HIE and SE. It is also proposed that as part of this, HIE and others are invited to deliver the Business Gateway service, see later in this document.

There is a GAE issue associated with doing this in that not all the savings may accrue to the council due to the fact that 32.85% of what we spend on this activity is provided via the GAE formula. The savings shown below reflect the worst case, ie that 32.85% of the savings would then be lost in GAE.

Current economic development budget		£ 2,142,257
Revised economic development budget for outsourcing		£ 1,372,257
Saving after factoring in GAE reduction		£ 517,055
Saving as a percentage		24%

7 Education Service

The education service is the largest council service. It will be subject to a ground up review like all other budgets but in the manner now set out. It is our view that the best people to take decisions about the future of the service with a reduced budget are the staff themselves, together with parental and community representatives. This bottom up approach will produce the most acceptable way of identifying operational efficiencies and saving money and the same basic model will be used in the review of other parts of the council. We make one new proposals at the moment to save money, see below. In addition to our proposal we have no option but to accept the cut of £280,000 to ASN as per the November council decision. This will be reviewed again in June 2016 by the school clusters, taking into account the completed ASN review and the impact on the budget of any reversal of this £280,000 cut. The effect of this in 2016/17 produces a saving of £175,000.

Works needs to start immediately using the skills of the head teachers and their staff to group the schools into logical clusters that understand the nature of each establishment in the cluster and which are best placed to identify efficiencies in the operation of that cluster. Each school cluster will ensure that parents and the local community are both represented strongly in the cluster's management team. The school clusters will:

- Come up with proposals for each school cluster management team that reflect the size and diversity of each cluster and which has strong representation from parents and the local community.
- Take on responsibility for identifying target savings of approximately 1.87%, or £1.3m, for 2016/17. The additional savings needed for 2017/18 are a further 3.5% or c£2.5m. School clusters need to bear in mind that the initial 2016/17 savings need implemented by August 2016 so the £1.3m is to be saved in the remaining 8 months of the financial year 2016/17. The full amount to be saved in 2017/18.
- Comment on the proposed saving in education management costs proposed below and on the structure that is needed within this new budget heading.
- Include as key efficiencies for each cluster (but by no means exclusively) the following:
 - the sharing of curricular resource materials and specifically a more efficient per capita allocation;
 - the provision of supply teaching staff to the cluster;

- the potential for shared headships within the cluster;
- the potential for shared clerical and administrative support within the cluster;
- the potential for teaching more specialist subjects, especially in secondary schools, by video conferencing;
- the potential for sharing services which currently deliver a service to those schools but over which schools currently have little or no control, eg cleaning, janitorial, school meals, school transport, school crossing patrols, property etc., and
- the IT and other resources needed to enable any of the above.
- A timetable is proposed now for the work of the clusters, detail to be agreed with officers. The timetable is tight but realistic and needs to be adhered to if this year's savings are to be made:
 - Work to agree the school clusters to begin immediately and a proposal should be put to a special council meeting at the end of March.
 - The school clusters have 2.5 months to come up with proposals for implementation from August 2016, with a paper to come to the scheduled June meeting of the council.
 - Progress reports need to be issued to councillors at the end of April and May, presented to elected member seminars for comment.
 - The further savings for the full year 2017/18 need to come from the school clusters by end December 2016.

The savings proposed at this stage total **£ 775,000** and are as follows:

1. The cut of **£ 175,000** already agreed by the council in November 2015.
2. Education management costs need to be reduced by **£ 600,000**. These are the posts above that of the head teacher, excluding the head of service (or director of education) post which is included in the revised corporate management structure for the council.

The position in summary is as follows:

Current education budget		£ 69,695,000
Target savings for school clusters is 6% or >		£ 4,181,700
Savings as proposed in 2016/17		£ 775,000
School clusters to produce savings in 2016/17 of		£ 1,300,000
Total savings in 2016/17		£ 2,075,000
Saving in 2016/17 as a percentage		3%

Given the critical importance of early years, we have rejected all the savings options from Service Choices. Early Years provision has to be included in the review carried out by the school clusters simply because so much early years provision is based in our primary schools. Our own provision,

however, relies heavily on the private and not for profit sector to deliver the current 600 free hours annually. We do not believe that the proposed increase in free hours to 1,140 per year can be delivered without major change in the manner in which our own provision is delivered. We will need to work hand in hand with the private and not for profit sectors and we will need to find ways of increasing our own capacity and that of others if we are to assist the Scottish Government in its stated goal of making childcare “affordable, accessible and to a world class standard”.

Recent research has shown that 88.6% of local authority childcare provides only half day places. This has to change and the school clusters need to propose innovative ways in which our own capacity can be extended. **All relevant interested parties will need to be involved in whatever proposals are made for early years by each school cluster group.**

8 Committee services budget

This budget was increased by £250,000 to support the additional costs of the current political management arrangements, increased costs for the area community planning groups and members services. The current arrangements will be replaced by an area based committee structure as outlined elsewhere in this document. It is proposed that the additional budget is removed entirely and the effect of this is shown in the figures below. There may well be potential for further savings during the review of all budgets.

Current committee services budget		£ 601,805
Revised committee services budget		£ 504,844
Saving		£ 153,039
Saving as a percentage		25%

9 Business Gateway

The Business Gateway service was transferred to the council from the enterprise network and this proposal is intended to free the service from any current constraints it may have. In any event, the economic development function of the council will be subject to major change so the timing of a change to Business Gateway is not accidental. It is proposed that we modestly increase the current Business Gateway budget and we invite interested parties to manage the operation of Business Gateway. The staff will remain with the council but the intention is that the new external management and supervision of Business Gateway will enable the service to be more entrepreneurial and more dynamic in trying to attract new businesses into the area. The intention is to stimulate the local economy and to increase the population by attracting new entrepreneurs to Argyll & Bute. This is a key strategic task, hence the modest increase in funding.

In tandem with this change to the operation of Business Gateway is the creation of 2 funds, one to give grant and loan assistance to businesses and the other to create new business premises for very small businesses using the model created by M&K Macleod Ltd in the former Jaeger factory in

Campbeltown. More detail on these 2 funds is contained in the section on the use of council reserves below.

The revised Business Gateway budget is as follows:

Current business gateway budget inc West Dunbartonshire	£ 362,000
Additional budget	£ 50,000
Revised budget for 2016/17	£ 412,000
Additional costs as a percentage	14%

10 Property Services

This department will be the subject of a ground up review but the following proposals from Service Choices are taken now to produce a small saving: Savings: FS03F, FS03G, FS03H, FS03I, FS03M

Current budget for property services	£ 2,271,072
Revised budget for elected members	£ 2,209,072
Savings: FS03F, FS03G, FS03H, FS03I, FS03M	£ 62,000
Saving as a percentage	3%

11 Housing Strategy

The initial proposal is to adopt one of the measure proposed from Service Choices as it will have no impact on the service delivered, ie budget CC08e, transfer of housing strategy staff costs to the Strategic Housing Fund.

Current budget for housing strategy	£ 1,365,709
Revised budget for housing strategy	£ 1,228,709
Savings: CC08E from Service Choices	£ 137,000
Saving as a percentage	10%

12 Improvement & HR

We propose to adopt 3 of the measures from Service Choices, budgets IHR01A, IHR03A and IHR03B. The first of these is the creation of a single service by combining Improvement and Organisational Development and Human Resources but we propose to accelerate this and to introduce this in full from August 2016. The 8 month saving is **£ 410,667**. We propose to take the other 2 options mentioned above immediately giving savings of **£ 100,000**. In summary, the savings are as follows:

Current budget for improvement & HR		£ 2,528,000
Revised budget for improvement & HR		£ 2,017,333
Savings: IHR01A, IHR03a, IHR03b from Service Choices		£ 510,667
Saving as a percentage		20%

13 Waste Management

We propose to take 4 of the options from Service Choices in full, ie move to a 3 weekly green bin collection, energy reduction lighting programme, central administration costs and remove vacant post in waste management service. The move to a 3 weekly green bin collection will require a maximum amount of recycling and we urge far greater use be made of the 3rd sector to achieve this. These are all taken in 2016/17 and in summary produce the following:

Current budget for waste management		£ 6,613,000
Revised budget for waste management		£ 6,033,000
Savings: RAMS05a5, RAMS04c, RAMS02c, RAMS05e from Service Choices		£ 580,000
Saving as a percentage		9%

14 Social Work Budget

The responsibility for this budget will transfer to the Integrated Joint Board from 1 April 2016. With the demographics of Argyll & Bute being as they are, we take the view that more funds need to be allocated to adult care. The very recent announcements from the Scottish Government are particularly welcome in this regard.

This is especially the case for the care at home service where there have been difficulties in recruiting and retaining staff, not least in the contracted out part of care at home services run by the private sector. While pay and conditions are not the sole factor in the recruitment problems, they are a key one. There appears to be evidence of widespread breaches of employment law and the minimum wage regulations in the view of the proposers of this amendment. The Scottish Government in its funding letter on 27 January offered additional funds for social care budgets to cover demographic change and charges for non-residential services. Additional funds were also offered to enable all social care workers to earn the living wage of £8.25 per hour. Welcome as this is, unless there are changes to the employment practices of many of our contractors, this hourly rate will not in practice be paid even though it may become the headline hourly rate. This is due to contractors passing on our method of contracting with them whereby their staff are only paid for the care time with clients and not for time between clients. This practice has to end.

These staff are among the poorest paid staff anywhere in Scotland and the new funds from the Scottish Government will help address the issue. It is not known at this stage what the gap will be to ensure that the £8.25 per hour rate is paid for all staff's working time, ie client contact time plus travel between clients, so we propose to earmark a one off contribution from reserves (see section

below on reserves) to fund any gap, if needed, in 2016/17. Once known, this amount will be factored into budgets from 2017/18 to ensure the government's target is met.

We understand that in the ground up review, the focus will be on a redesign of the adult care service given that this exercise was carried out relatively recently on children and families.

Current budget for social work			£ 56,543,000
Revised budget for social work			£ 55,553,000
Maximum saving allowable			£ 990,000
Saving as a percentage			2%

The restrictions that came with the additional Scottish Government funding will allow the IJB to come into being in April with a well-resourced funding package and, at the same time, provide a remedy for the issues endemic in the care at home service for elderly adults.

15 Planning & Regulatory Services

We propose to take one small saving now in advance of the proposed ground up review. This we understand are the costs of one existing vacancy in the access team, which will now not be filled.

Current budget for planning & regulatory services		£ 3,891,620
Revised budget for planning/regulatory		£ 3,856,620
Savings: PRS03k from Service Choices		£ 35,000
Saving as a percentage		1%

16 Management & Operational Savings

We accept the proposed management and operational savings from the budget papers. These total **£1,044,000**. Details are in the budgeting pack..

17 Salary Costs

We consider that it's iniquitous for the council to be losing jobs through these cuts while the staff unaffected get increases. It could well be argued that some of those losing their employment, the unfortunate, are doing so in order to fund increases for those remaining, the fortunate. If you consider the total cost of the increases it is clear these increases have to be funded by job cuts. Perhaps the staff might consider a voluntary agreement that could avoid these job losses.

We are already proposing that we break the current agreement on chief officers' salaries and to go further than that would be a step too far.

However, given the savings identified above, there will be an additional saving over and above these figures in salary increases that won't be paid to the staff being lost. Although the increase is 1% for 2016/17, we have factored in a modest .75% saving to the salary bill from the savings above. This saving equates to -£ 65,228 and the saving, in practice is likely to be greater than this.

Council Reserves

These proposals are modest ones to use some of the free reserves. We consider that these proposals all fall within the broad aims of the Single Outcome agreement other than, perhaps, the first proposal below.

Proposal 1 The council invested fairly recently in high quality video and audio equipment in the Kilmory council chamber. This proposal is to equip 5 other locations to the same standard, in Helensburgh, Rothesay, Dunoon, Oban and Campbeltown at estimated maximum cost per site of This earmarking from reserves will be -£ 250,000 in total.

Proposal 2 As referred to earlier, this budget is about ambition and part of that ambition is to ensure we keep our towns and villages as attractive as possible. There has been a reluctance in the past to serve improvement notices on properties that have fallen into disrepair. That reluctance has generally been founded on the costs of so doing, especially if the improvements have to be carried out and paid for by the council. This budget earmarks a nominal -£ 600,000 from reserves to remedy this. This allocation will be called a **Property and Land Improvement Fund**.

A policy will need to be worked up in detail but it will be about:

- a much more active role being taken by officers in identifying properties that have fallen into disrepair;
- working with owners to try and persuade them to carry out repairs;
- making recommendations to committee to serve improvement notices in the event that persuasion fails and,
- in parallel, initiating compulsory purchase orders for the properties in question.

The fund will be used to effect repairs and cover legal and other costs. Assets gained by CPOs will then be sold and the funds received will go back into the Property and Land Improvement Fund. The intention will be that over the medium term this fund will stay roughly in balance, with funds in equating broadly with funds out.

Proposal 3 In tandem with the creation of the Property and Land Improvement Fund, a one off sum of -£ 400,000 will be taken from reserves and allocated to the new area committees for the express purpose of making one off improvements to the appearance of our towns and villages. Each

area committee's allocation will be spent as locally agreed provided the spend is for making the one off improvements mentioned.

Proposal 4 To assist in the process of giving Business Gateway the resources to make a real change to the attractiveness of Argyll & Bute as a place to live in and do business in, we propose taking an allocation from reserves to emulate what M&K Macleod did in the former Jaeger factory in Campbeltown, ie the building of small units for rental at competitive rates to enable very small businesses to have base from which to operate. This will be called the **New Business Premises Fund**. The Campbeltown units have been a huge success and the plan will be to work with our community planning partners to identify suitable sites for these units throughout Argyll & Bute. The estimated build cost per unit is £ 60,000 and the target is to build 18 of these units giving a total allocation from reserves of -£ 1,080,000. Proposals on where these units will be built will come from the new Business Gateway operation to the new area committees. Once built, the rental income generated will come back into the fund and, like proposal 2, in the medium term the plan is to be able to build more new business units from a fund that has started to grow again through its rental income. We estimate the annual rental income to be in the region of £40k based on the M&K Macleod model at 85% occupancy.

Proposal 5 To further assist the creation of new businesses and to assist existing ones, a fund will be created from reserves to provide assistance in the form of grants and loans. Suitable organisations will be invited to bid to manage this fund. The successful organisation will work with Business Gateway but will not be bound to support every business Business Gateway supports. The New Grant & Loan Fund for Small Businesses will have an allocation of -£ 100,000. Like proposals 2 and 4, loan repayments will be paid back into this fund to enable other businesses to be supported in future years.

Proposal 6 We propose to earmark a sum of -£ 1,000,000 from reserves to ensure that the wages and conditions of social care workers are altered in a manner that meets legal requirements. This is to assist the new Scottish Government allocation of funds but we have no way of estimating how much, if any, of this earmarked sum will be required. This is, in effect, a contingency sum. The reason it may be needed relates to the evidence we have that shows that, whatever the headline pay rate, the effective rate is far lower due to many contractors not paying staff for time between clients.

Proposal 7 Increasing our population is a key target and getting as many of our council employees to live and work here is one way of trying to meet this target. Where there is operational need to live here, this will be required. Where there is not, we need to offer some way of trying to attract people to live here. We propose to earmark a sum of -£ 300,000 from reserves in order to fund a pilot project to offer some financial assistance for staff to make their main residence in Argyll & Bute. The detail of this will be established by a Short Life Working Group to be set up as soon as possible. We propose that the target will be to get 150 staff to establish their main home in the area. We calculate that this will bring in about £1.233m per annum to the Argyll & Bute economy, a payback of over £4 for each £1 spent.

Proposal 8 To provide a contingency sum in case any of the other savings are delayed and not achieved in 2016/17, we propose to allocate -£ 500,000 from reserves to cover the smoothing needed.

Reserves summary

We accept the additions and deductions from reserves as per the budget papers, page 87 other than we have used a slightly smaller estimate for the cost of severance. The full reserves position is shown below.

1	Upgrade 5 sites to the same VC standard as the existing system in Kilmory.	-£ 250,000
2	Property & Land Improvement Fund	-£ 600,000
3	One off £100k allocation to 4 area committees	-£ 400,000
4	New Business Premises Fund	-£ 1,080,000
5	New Small Business Grant and Loan Fund	-£ 100,000
6	Earmarked reserves to cover social care costs	-£ 1,000,000
7	Earmarked reserves for getting staff live in A&B	-£ 300,000
8	General contingency draw from reserves	-£ 500,000
9	Additions to reserves as per budgeting pack	£ 1,000,000
10	Allocations from reserves as per budgeting pack	-£ 2,005,000
11	Estimated severance allocation	-£ 4,200,000
12	Increase gen fund contingency to maintain 1.5%	-£ 5,000
	Estimated Revised General Fund Balance	£ 2,776,000