

Best Value Assurance Report

# Argyll and Bute Council



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
May 2020


# 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](http://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.

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## Links

-  PDF download
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# Key facts



Area



Population

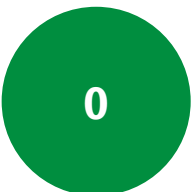


Workforce  
(headcount)



Elected members

- 11 Scottish National Party
- 9 Conservative and Unionist
- 10 Independent
- 6 Scottish Liberal Democrat



Council houses



2020/21  
revenue budget<sup>1</sup>



2020/21  
capital budget<sup>2</sup>



Budget gap  
2020–23

1. Revenue budget covers day-to-day costs like wages.  
2. Capital budget covers the cost of major projects such as schools and roads.

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# Commission findings

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- 1** The Commission accepts the Controller of Audit's report on Best Value in Argyll and Bute Council and we endorse his recommendations.
- 2** The work for this audit was done prior to the onset of the current Covid-19 emergency. The Commission recognises the significant pressures under which local government finds itself in this current situation. Equally the Commission is of the firm view that the principles of sound financial management, good governance, public accountability and transparency remain vital.
- 3** The Commission, having consulted with the Controller of Audit and Argyll and Bute Council on the current situation, has proceeded with considering the Controller's report and publishing these findings. This is to allow the council to use these findings and recommendations to inform decisions on how it provides services to the people of Argyll and Bute.
- 4** The Commission welcomes the progress made by the council since a series of statutory Commission reports in October 2013, July 2014 and December 2015. We are pleased to note in particular the significantly improved relationships amongst elected members and between members and officers, which provide a sound basis for tackling future challenges.
- 5** The council's sound approach to financial planning and budgeting has allowed it to achieve financial balance in the short term but, to continue to achieve this in the future, substantial work will be required to deliver more significant transformation and redesign of services. This work can also help provide the basis for an enhanced long-term financial plan.
- 6** The council needs to improve how it manages and reports performance. This should provide the basis for more effective use of self-evaluation to guide its performance improvements. This will also help make clearer to stakeholders what progress it is making on key outcomes and objectives and how it intends to address areas of service underperformance.
- 7** There is therefore still some way to go: we urge significantly increased pace and depth of improvement and in doing so making greater use of the potential for engaging, enabling and empowering the communities of Argyll and Bute. We do however acknowledge the significant challenges in an area as extensive and varied, with declining and sparsity of population, as Argyll and Bute.
- 8** Further, while we note the council's use of a sizeable temporary workforce, it will be important for the council to engage staff fully as it plans and implements change.
- 9** We encourage the council to make use of and respond to our findings as it reshapes for the future as well as facing the current challenging situation. We will retain an interest in its progress, and we expect the Controller of Audit to monitor this through the annual audit and inform us appropriately.

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# Audit approach



**1.** The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first Best Value Assurance Report on Argyll and Bute Council. The findings from the last Best Value report on the council are summarised in [Exhibit 12 \(page 52\)](#).

**2.** This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's strategic audit priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

**3.** Our audit approach is proportionate, and risk based and so is reflective of the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach, we conducted some initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, a review of key council documents, initial meetings with senior officers and reflection on our wider public-sector knowledge and experience. Key areas of focus for our audit are listed in [Exhibit 1 \(page 7\)](#).

**4.** The detailed audit work for this report was undertaken between November to December 2019 and January 2020. Our audit work included:

- interviews with elected members and senior officers
- holding focus groups with members of staff
- observing a range of council and committee meetings
- reviewing documents and analysing data, including Local Government Benchmarking Framework (LGBF) data
- interviewing a sample of the council's partners, including those involved in the Community Planning Partnership (CPP).

**5.** The audit work was carried out by Audit Scotland, the appointed auditor. Audit work in future years, performed as part of annual audits, will include a follow-up on the findings from this report and additional audit work on other Best Value characteristics as appropriate.

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## Exhibit 1

### Key areas of focus for our audit



#### The council's vision and strategic direction

This included assessing how well the leadership of the council works together to deliver the priorities identified in strategic documents. Our findings on this are in [Part 1](#) of this report.



#### Performance and outcomes, including public performance reporting

This included an overall assessment of outcomes and performance and the council's reporting on these, including to the public. Our findings on this are in [Part 2](#) of this report.



#### Effective use of resources

We assessed how effectively the council plans its use of resources, including financial and workforce planning. Our findings on this are in [Part 3](#) of this report.



#### Partnership and collaborative working

We assessed how the council delivers services and its collaboration with partners to drive economic and cultural improvements. We also considered how well services are developed in collaboration with others and how community engagement and empowerment affect the council's activities and delivery of services. Our findings on this are in [Part 4](#) of this report.



#### Transformational agenda, including sustainable economic growth

We reviewed the council's continuous improvement programmes, including assessing the overall pace and depth of change. Our findings on this are in [Part 5](#) of this report.

Source: Audit Scotland

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**6.** Our analysis of the LGBF data in [Exhibit 6 \(page 22\)](#) reflects the complete set of 2017/18 results published by the Improvement Service in April 2019. For [Exhibit 7 \(page 23\)](#), we have used data published by the Improvement Service in January 2020, when a selection of indicators were updated to 2018/19 data.

**7.** We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

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# Key messages



- 1** Since the 2015 Best Value report, the council has worked hard to improve relationships among elected members and senior officers. There has been a significant improvement in the culture resulting in constructive and more focused decision-making. Members now need to build on this and make the difficult decisions required to sustain council services in the longer term.
- 2** The council and its partners share a strong commitment to the vision for Argyll and Bute. The council and its partners recognise the challenges, which includes a declining and ageing population, varied geography and population density, declining funding, and a growing economic dependence on the public sector.
- 3** The council is not yet in a position to demonstrate that it is achieving all aspects of Best Value. In some key areas the pace of improvement has been slow since the previous Best Value report in 2015. There is limited evidence of the council using performance information to drive improvement. The council's performance reporting makes it difficult to conclude what progress has been made against its six corporate outcomes.
- 4** Since 2014/15, the pace of improvement against LGBF indicators has been slower than in other councils in Scotland. The percentage of indicators in the top two quartiles increased, but around one-third of indicators are in the bottom quartile every year.
- 5** The council's annual budget process and savings plans have successfully achieved financial balance through a focus on cost reductions. Although the council's transformation programme has delivered some efficiencies and achieved small-scale savings further work is required by the council to better align its financial and transformation plans to drive meaningful change through new and innovative ways of working.
- 6** There have been a number of changes in the management structure during 2019, including the appointment of the new chief executive in December 2019. The changes to the senior management structure have been made in line with the council's vision, and to help support the delivery of the council's corporate outcomes. The restructuring has resulted in a loss of experience at a time of challenging priorities and decreasing resources.



- 7** In addition to reducing employee numbers, the council makes extensive use of temporary contracts (20 per cent of the workforce). The 2018 employee survey highlighted issues with lines of communication from senior management. The council could do more to ensure it communicates and engages effectively with all staff.
  - 8** The council works well with partners including the third sector, youth groups, area community planning groups and business partners. The council needs to maximise its influence with key partners in delivering its vision, in terms of economic development, relevant business skills, opportunities for learners and the Argyll and Bute Rural Growth Deal.
  - 9** The council has made good progress with the Community Empowerment Act, but it needs to make its processes easier to follow and accessible to all communities. Although there has been significant consultation there is scope to improve community engagement to make the approach more inclusive, achieve wider representation and build capacity to enable communities to take more ownership of decision-making.
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# Part 1

## Does the council have clear strategic direction?



Elected member relationships have improved significantly, resulting in constructive and more focused decision-making. Members now need to build on this and make the difficult decisions required to sustain council services in the longer term.

The council and its community planning partners share an ambitious vision.

Changes to the senior management structure have been made in line with the council's vision, and to help support the delivery of the council's corporate outcomes. These have resulted in a loss of experience at a time of challenging priorities and decreasing resources.

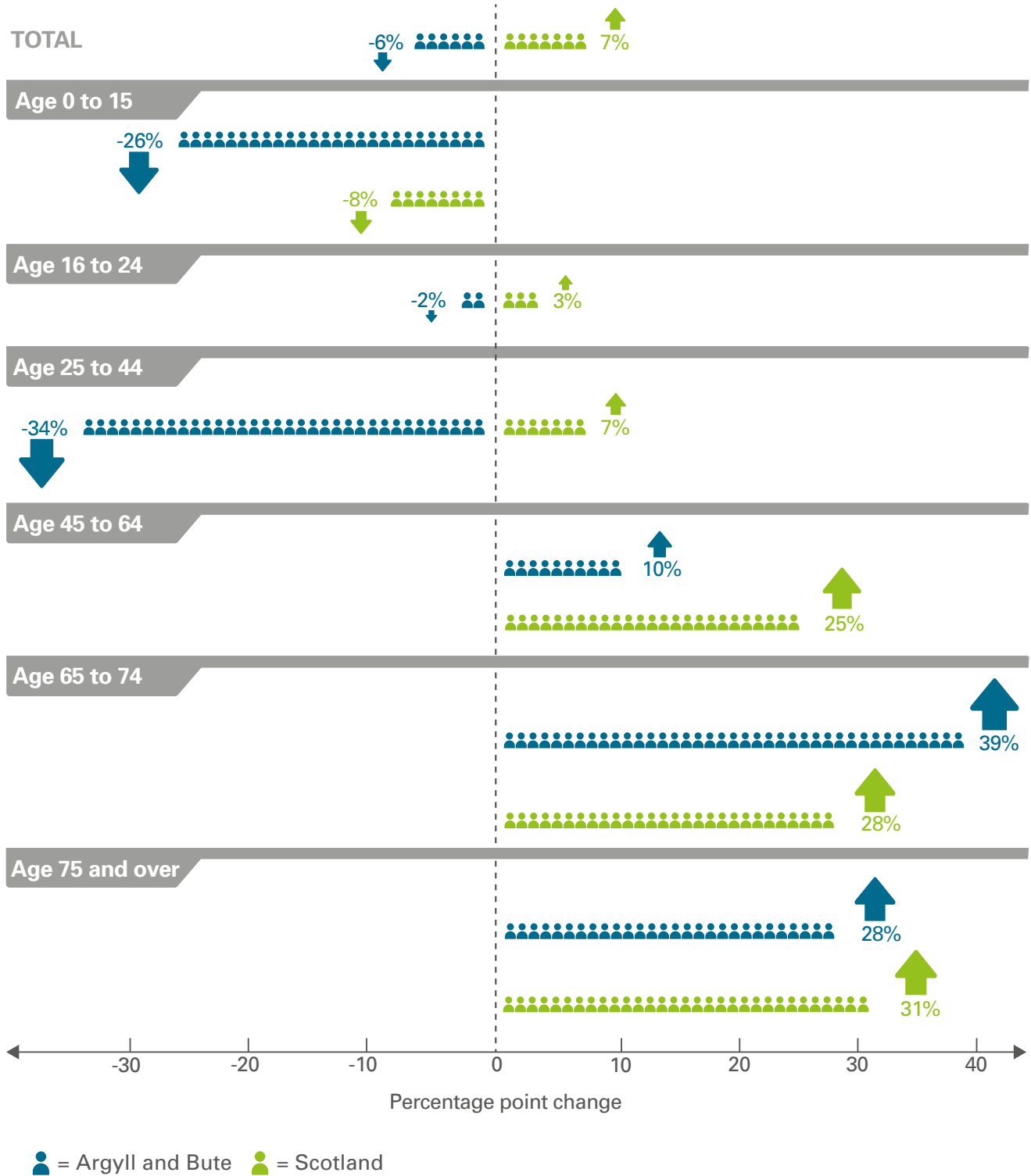
### Argyll and Bute Council covers a diverse geographical area, with an ageing population placing additional demand on services

**8.** Argyll and Bute Council covers over 2,668 square miles and is the second largest local authority by area in Scotland, accounting for almost nine per cent of the total Scottish land area. The current population is 86,260, giving a population density of approximately 12 people per square kilometre which is the third lowest in Scotland. There are 23 inhabited islands accounting for 17 per cent of the population, and 43 per cent of the population are classed as living in remote rural areas. The largest settlement is Helensburgh, with a population of 15,610 people. The physical geography of the area and the limited amount of land suitable for the development of the road network means there is a high level of reliance on ferries for travel.

**9.** The proportion of the population that is economically active is declining. As outlined in [Exhibit 2 \(page 11\)](#), the population of Argyll and Bute decreased by six per cent between 1998 and 2018 and this was mainly driven by a decline in the 25-44 age group. This is the third largest decline in population by council area in Scotland. Over the same period, Scotland's population rose by seven per cent. Demographic change is putting additional demand on public services and increased pressure on public finances.

## Exhibit 2

Population change of Argyll and Bute and Scotland, by age group between 1998 and 2018



Source: Audit Scotland using National Records of Scotland data

**10.** The council recognises the challenges of a declining and ageing population, varied geography and population density, and the economic dependence on the public sector. The above challenges are mirrored in the profile and location of its workforce. The most recent population projections show that if current trends continue the population is expected to decline to 78,504 by 2041, a 9.9 per cent decrease from 2016. However, projected population change varies across the area; increases are projected for the areas around Oban, but the population is projected to decline in all other areas.

**11.** The council is the major employer in Argyll and Bute, with 4,771 employees located throughout the council area in 2017/18. The number of staff employed has decreased from 5,159 in 2010/11 ([Exhibit 3](#)). Twenty per cent of the council's workforce are on temporary contracts and 46 per cent of employees are aged 50 or over. The main office locations are in Dunoon, Lochgilphead and Helensburgh, and account for 46 per cent of council employees. The geography of the area brings recruitment challenges caused by remote locations with fewer amenities, or limited employment opportunities for families of council staff in rural areas.

### Exhibit 3

#### Argyll and Bute Council's workforce



##### Total staff employed

2010/11: 5,159  
2017/18: 4,771



##### Full-time equivalent permanent staff

2010/11: 3,350  
2017/18: 3,065



##### Staff on temporary contracts

#### Age profile of staff



##### Aged 50 or over



##### Aged 25 or under

Source: Audit Scotland using data provided by Argyll and Bute Council

12. Across Argyll and Bute, the **Scottish Index of Multiple Deprivation**  (SIMD) data, from 2020, identified:

- one data zone in Dunoon within the two per cent most deprived in Scotland
- one data zone in Helensburgh within the five per cent most deprived in Scotland
- nine data zones in Rothesay, Campbeltown, Oban, Dunoon and Hunter's Quay within the 15 per cent most deprived in Scotland.

13. The council is aware of this and the work being carried out under the Campbeltown, Helensburgh, Oban, Rothesay and Dunoon (CHORD) regeneration project has sought to bring improvements to these areas, although the benefits are likely to be more long term [\(paragraphs 58 and 80\)](#).

### The council and its community planning partners share an ambitious vision

14. The council's vision and priorities are set out clearly in a number of key strategic documents. Elected members, senior officers and partners share a strong commitment to the vision for Argyll and Bute. The strategic documents are available to the public online and include:

- **Argyll and Bute Outcome Improvement Plan 2013-2023 (ABOIP):** the council's and its community planning partners' vision is that 'Argyll and Bute's economic success is built on a growing population'. The ABOIP originally developed that vision and the six outcomes, and the council later adopted them to ensure that both the Corporate Plan and the ABOIP were fully aligned. The six corporate outcomes are:
  - Our economy is diverse and thriving.
  - We have an infrastructure that supports sustainable growth.
  - Education, skills and training maximise opportunities for all.
  - Children and young people have the best possible start.
  - People live active, healthier and independent lives.
  - People will live in safer and stronger communities.
- **Corporate Plan 2018-2022:** this sets out the council's mission, values and priorities, which are captured in six corporate outcomes and supported by 17 business outcomes.
- **Argyll and Bute Economic Strategy 2019-2023:** this aims to help deliver the overarching vision of the ABOIP which has been agreed with the Scottish Government. The intention is that this will provide the foundation for the future implementation of the **Rural Growth Deal**  focusing on three main themes:
  - **critical economic infrastructure:** connecting to national and international markets
  - **place and people:** attracting skills, residents, visitors and businesses
  - **smart growth:** growing, doing more that works.



#### The Scottish Index of Multiple Deprivation

(SIMD) is a tool used by the Scottish Government to rank the relative level of deprivation across 7,000 small areas (data zones) across Scotland. Due to the dispersed nature of rural communities, SIMD does not always accurately represent deprivation in rural areas such as Argyll and Bute.



#### The Rural Growth Deal

agreed in October 2019 will bring £50 million investment to Argyll and Bute. The Rural Growth Deal will be funded by the UK and Scottish governments.









- **Service plans (2019-22):** each of the ten service plans include details of budgets for their contributions to one or more business outcomes. The plans set out success measures and service improvements, and how each of these link to the 17 business outcomes.




**Changes to the senior management structure have been made in line with the council’s vision, and to help support the delivery of the council’s corporate outcomes. These have resulted in a loss of experience at a time of challenging priorities and decreasing resources**

15. The senior management structure within the council has been revised several times since the last Best Value report to help support the delivery of the council’s corporate outcomes. Overall, the number of executive directors and heads of service has fallen by two (12 per cent) since 2016, including one post which was transferred to LiveArgyll, as detailed in [Exhibit 4](#).

**Exhibit 4**

Changes in the senior management of Argyll and Bute Council between 2016 and 2019

Year	Executive Directors	Heads of Service	Total
2016			17
2017			16
2018			16
2019 onwards			15

 Council staff  Health and Social Care Partnership (Council)  Health and Social Care Partnership (NHS) \* One post transferred to LiveArgyll

LiveArgyll Leisure and Libraries Trust was established in September 2017. LiveArgyll runs community centres, fitness centres, gyms, halls, museums and libraries across the council area.

Note: Figures exclude the council’s Chief Executive and Head of Strategic Finance and the Chief Officer of the Health and Social Care Partnership. The Strategic Management Team (SMT) is currently made up of the Chief Executive, two executive directors, two heads of service (the Head of Strategic Finance and the Head of Customer Support Services), and the Chief Officer for the Health and Social Care Partnership.

Source: Audit Scotland using Argyll and Bute council’s organisational charts.

16. Changes to the senior management structure have been made in line with the council’s vision, and to help support the delivery of the council’s corporate outcomes. The council believes that commercialisation will play a central role in the council’s progress towards its vision. To take this forward a new position of head of commercial services was established in June 2019 ([paragraph 158](#)).

**17.** However, the overall reduction in the senior management team has occurred at a time of challenging priorities and increasing demands together with higher and growing expectations on the council to deliver meaningful change. The loss of senior staff represents a reduction in experience which may make it more difficult for the council to achieve the transformational change needed to support its strategic priorities.

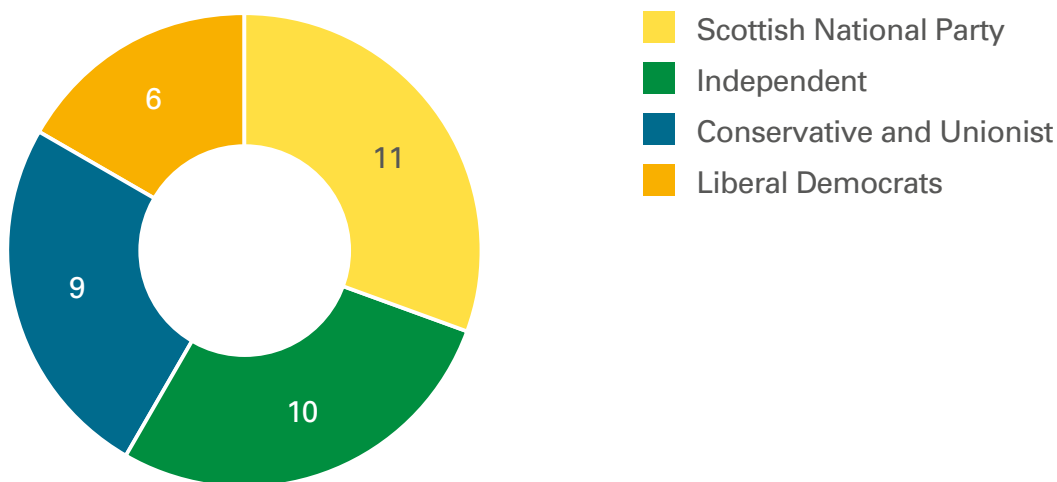
**18.** The council's new chief executive was appointed in December 2019. As this was an internal appointment there is a vacancy at executive director level. This is currently being filled on a temporary basis by the Head of Strategic Finance. The council has started the recruitment process to permanently fill the post. The relatively new senior management team needs to support the new Chief Executive in increasing the current pace of change to realise the vision of the council and its partners.

### **Elected member relationships have improved significantly, resulting in constructive and more focused decision-making**

**19.** The council has 36 elected members with a broad political make-up, representing 11 multi-member wards ([Exhibit 5](#)).


## **Exhibit 5**

### **Political make-up of Argyll and Bute Council**



Source: Audit Scotland using information from Argyll and Bute Council

**20.** Following the 2017 local government elections, a coalition administration was formed called the Argyll, Lomond and the Islands group, made up of 21 Independent, Conservative and Unionist and Liberal Democrat councillors. The main opposition is the Scottish National Party Group. Sixteen new members across all parties were elected in 2017.

**21.** Relationships between officers and elected members are positive and constructive. In our [2013 statutory report](#) , the Commission commented that it was seriously concerned about the substantial risks to the council caused by the instability of leadership by elected members and that the council's current political management arrangements were not fit for purpose. In our 2015 report, the Commission welcomed the improving relationships between political groups and between members and officers but noted with disquiet the dysfunctional relationships which persist between a number of individuals. Since our last Best Value report in 2015, relationships between elected members have improved significantly including the relationship between the administration and the opposition groups. The current political set-up is productive and collegiate, with elected members committed to working together to improve Argyll and Bute for the benefit of their communities.

**22.** Elected members demonstrate a good understanding of the issues the council faces. The council has a policy lead structure where members of the administration have responsibility for different areas of council operations and objectives. Policy leads provide verbal updates at council meetings and take questions on their areas of responsibility. The format and operation of the policy lead structure helps promote discussion on key issues and member accountability for the delivery of council priorities.

**23.** In 2018/19 the council approved a consensus budget for the year where all council members unanimously agreed the spending priorities, demonstrating a commitment to improved cross-party working. This approach has provided a clear precedent for the council to maximise the opportunities for cross-party working to support the increasingly difficult decisions to be made in the medium term.

### **Members need to take advantage of the training opportunities provided to remain aware of, and respond to, the demands, challenges and expectations made of a modern elected member**

**24.** The council provides a good level of training for members, with courses taking place throughout the year covering a range of topics relevant to their roles and linked to the council priorities. The council has also put in place arrangements to support members' continuing professional development.

**25.** Member attendance at training courses has been mixed, with a 55 per cent attendance rate over the last 18 months. During this period, ten members attended two or fewer training sessions.

**26.** Further action is required by elected members to review their individual training requirements with a view to agreeing tailored personal development plans to ensure that they deliver, and are able to respond to the demands, challenges and expectations of a modern elected member. The council needs to ensure the training it offers is flexible and provides sufficient resources and support for members in rural areas to access and complete training.



# Part 2

## How well is the council performing?



The council has implemented policies that support its goals for population growth and economic development, but it has not monitored the impact of projects in a systematic way.

Following five Education Scotland inspections over two years, the council has strengthened its leadership of education services and the council recognises that further improvements are required in services for vulnerable children and community learning.

There is limited evidence of the council using performance information to drive improvement. The council's performance reporting makes it difficult to assess what progress has been made against its six corporate outcomes.

The pace of improvement against LGBF indicators has been slower than for other Scottish councils. The percentage of indicators in the top two quartiles has increased, but around one-third of indicators are in the bottom quartile every year.

Sickness absence for non-teaching staff has continued to increase and remains a significant challenge for the council to address.

### **The council's performance reporting makes it difficult for the council to demonstrate progress against its six corporate outcomes**

**27.** The quality of the council's performance reporting is mixed. There are some areas of good practice, for example at area committee level, and other areas where there is an opportunity for significant improvements to be made, for example in reports presented to strategic committees.

**28.** The council's annual performance report provides a high-level summary of the current position of specific projects and some data under each of the six corporate outcomes ([paragraph 14](#)). It does not provide a balanced picture of

long-term trends in performance against targets or benchmarks. While the report includes commentary on the challenges the council faces and its actions to address these, it does not highlight where specific improvements are required.

**29.** The performance reports presented to strategic committees generally focus on the successes and challenges of individual projects. Performance reports could be improved through:

- consistent use and reporting of:
  - long-term trend data on performance against the success measures that underpin the business and corporate outcomes
  - timeframes for project completion
  - benchmarking and targets across services.
- improved commentary on indicators that are off track with clear links to which outcome this affects
- clear identification and monitoring of improvement actions
- better alignment between the narrative on successes, progress against specific projects and the overall Red/Amber/Green rating for each business outcome.

**30.** Performance reports presented to the four area committees are more detailed and focus on the measures that are relevant to the specific area. They include targets, trends and narrative for each success measure.


**31.** The council's performance reporting does not provide information in an effective, systematic way to allow elected members to recognise areas of good practice or to challenge areas of poor performance. Elected members need to do more to challenge officers to improve the quality of performance reports, to ensure continuous improvement.

### **Public performance reports do not provide a clear picture of how well the council is performing against its corporate outcomes**

**32.** While all staff and elected members can interrogate performance data in the council's intranet-based performance management system, the public have no opportunity to do so. Instead they must rely on committee reports and annual high-level summaries.

**33.** The council recognises the need to improve public performance reporting. Improvements have already been made to the council website which makes it easier to navigate the performance reports, service plans and improvement activities. However, further improvements can be achieved by defining a single space on the council's website where the public can view trends in satisfaction, service quality or performance against individual success measures and projects that underpin the corporate outcomes.

## CPP performance reports are more outcome-focused than council reports, but could still be improved

**34.** Performance reports presented to the **Community Planning Partnership (CPP)**  show trends in performance against key indicators relevant to each of the six corporate outcomes outlined in [paragraph 14](#). For example, for the first outcome 'Our economy is diverse and thriving', the CPP reports include trend information for nine indicators. These include:

- Net migration: In 2018 the trend continued of more people migrating out of Argyll and Bute (4,210) than coming into the area (4,130).
- Economic activity: The percentage of the working age population that is economically active has fluctuated since 2013, and at 21 per cent it remained below the figure for Scotland as a whole (23 per cent) in 2018.
- Visitor numbers increased by seven per cent between 2013 and 2017, but the figures have fluctuated each year. Employment in the tourism sector is increasing.

**35.** Because they use different performance management systems, the council does not routinely use the indicators that the CPP and LiveArgyll monitors. Performance indicators used by the CPP focus more on long-term outcomes compared to those used by the council and so help to better demonstrate progress towards the corporate outcomes. LiveArgyll performance reports to March 2019 demonstrate a positive position with increasing attendance at LiveArgyll's facilities.

**36.** However, CPP reports could be further improved by the more consistent use of trends, benchmarks and targets, as well as providing more narrative around what has been delivered against each activity. It is not clear from the reported information how trends in outcomes are affecting different areas. The full partnership does not receive any regular update on performance reports for review and comment.

## The council is making improvements to its performance management framework, but it is too early to conclude what impact this will have

**37.** Since our last Best Value report in 2015 performance information has been streamlined. Following approval of the performance improvement framework in 2017 the number of delivery outcomes underpinning the six corporate outcomes was reduced from 63 service outcomes to 17 business outcomes in 2018/19, with shared ownership across all services. Success measures also decreased from 331 to 175. The framework sets out clear guidelines for the structure of performance reports and the scrutiny process. It is too early to conclude what impact these improvements have had on supporting effective scrutiny and focusing on areas for improvement.

**38.** The council's performance management system is not user-friendly. The system contains a large number of historical indicators that are no longer relevant to the council's corporate outcomes. The council is continuing to improve its approach to performance management. This includes:



Community Planning Partnerships (CPPs) are statutory forums for councils, NHS boards and other public and third sector bodies, such as charities and voluntary groups, to work with local communities to plan and deliver better services. See Part 3 for more details on Argyll and Bute's CPP.

- developing a suite of outcome-focused 'impact measures' to improve measurement of long-term progress against the 17 business outcomes. This will include key indicators from the Local Government Benchmarking Framework (LGBF, [paragraphs 42–52](#)), the CPP and other national statistics
- continuing to develop more effective scrutiny by training members and officers in the use of the performance management system
- improving public performance reporting, including the exploration of alternative performance management systems and report structures.

**39.** As the council develops its approach to performance management, the number of success measures, benchmarks and targets is changing every year. This means there is a risk that the council is unable to report consistent trend information for its success measures.

### **Performance has improved in more than half of the national community outcome indicators**

**40.** Between 2014/15 and 2017/18, performance improved in 11 of the 18 Community Planning Outcome Profile (CPOP) indicators.<sup>1</sup> CPOP indicators are relevant to both the council and the CPP and help to assess whether or not the lives of people in a community are improving. Performance followed the national trend for all but six of the outcomes. Notable patterns relevant to Argyll and Bute include:

- business survival rates increased from 63.5 to 64.4 per cent, compared with a 2.4 percentage point reduction for Scotland (which had a business survival rate of 60.4 per cent in 2018/19).
- median weekly earnings increased by two per cent, compared with a 6.4 per cent increase nationally. Argyll and Bute's median earnings is the fourth lowest of all councils (£388.00 compared with £395.87 across Scotland).
- wellbeing increased by 0.4 points (compared to a 0.1 point decline nationally) and is the second highest score of all councils in Scotland.<sup>2</sup>

**41.** However, the fragility index (a calculation based on total depopulation, the old age dependency ratio and rural depopulation) increased by 2.1 points and at 112.3 is the highest score of all councils in Scotland (whose fragility index is 101.7)<sup>3</sup>

### **National indicators show that the pace of improvement has been slower than for other Scottish councils**

**42.** The LGBF is a national dataset that allows all Scottish councils to compare their performance relative to other councils for 79 indicators across a range of services. As the council does not have any housing stock, the five LGBF indicators for housing do not apply.



**43.** Since 2016/17 the council has presented its own analysis of LGBF indicators to its audit and scrutiny committee. In 2017/18 relevant sections were also presented to strategic committees. The analysis highlights key measures that are important to the council, and includes trend information, comparisons with family groups and a supporting narrative for each indicator. Of the 74 indicators

it analysed, 43 (58 per cent) were in the top two quartiles when ranked against all other Scottish councils. While the report does identify 24 indicators that are of particular interest to the council, there is no evidence of the council using this analysis to drive improvement activity.

**44.** Our quartile analysis of the LGBF data for all Scottish councils focused on 44, mainly outcomes-based indicators between 2014/15 and 2017/18. Although the percentage of the council's indicators in the top two quartiles increased from 30 per cent in 2014/15 to 36 per cent in 2017/18, one-third of indicators have remained consistently in the bottom quartile each year ([Exhibit 6, page 22](#)). This includes the following indicators:

- four indicators relating to road condition
- percentage of unemployed people assisted into work from council-operated / funded employability programmes
- number of business gateway start-ups per 10,000 population
- proportion of properties receiving superfast broadband.

**45.** These indicators are key aspects of the council's ambition and vision. The position of indicators relating to road condition and the proportion of properties receiving superfast broadband reflect the challenges of Argyll and Bute as a remote and rural council ([paragraph 8](#)). In order to move from the bottom quartile, the council would either require a significant increase in funding in that service area, or investment from its partners (for example with broadband access).

**46.** For road classes A, B and C, the council has the **highest percentage of roads in need of repair of all councils in Scotland** . Audit Scotland's 2016 report [Maintaining Scotland's roads](#)  notes that the condition of Argyll and Bute's roads improved between 2011/12 and 2014/15 but that it was not spending enough in 2014/15 to maintain the existing condition. Spending on roads has declined between 2014/15 and 2017/18 ([Exhibit 7, page 23](#)).

**47.** In September 2019, a subset of the Audit and Scrutiny Committee reviewed the council's approach to road resurfacing. After consulting experts and other councils, the report concluded that the council's approach was robust. One recommendation was to adopt a risk-based approach to repairing defects and to incorporate these measures into the council's performance management system.

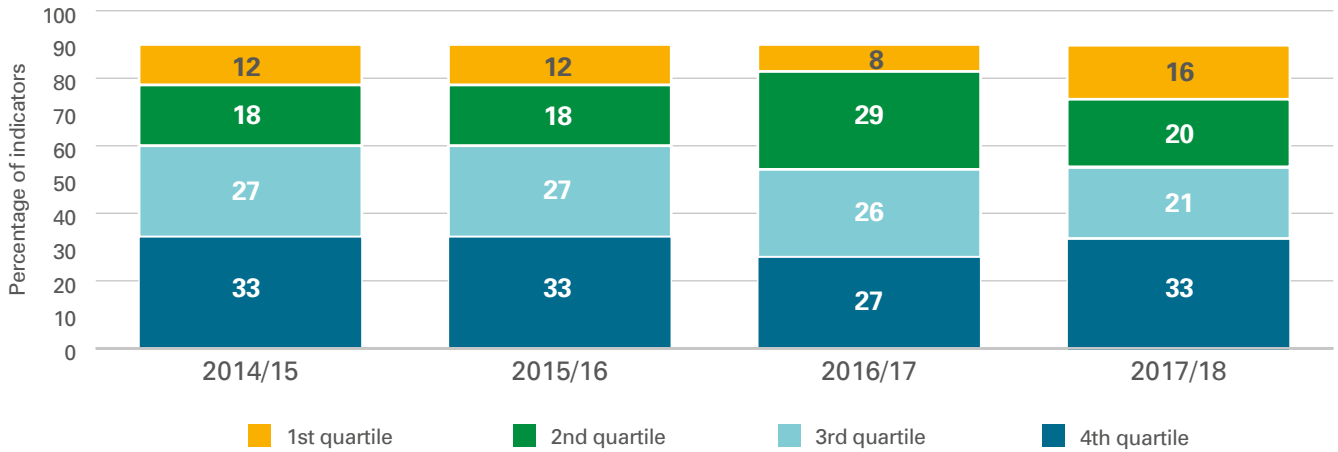


The council has the fifth lowest density of A class roads of all Scottish councils (0.11 miles per square mile, compared to an average of 0.26 miles). Approximately 23 per cent of Argyll and Bute's roads are constructed on peat, which means the roads are prone to movement. Where roads are in need of repair, the council's strategy is to use surface dressing techniques rather than full reconstruction.

## Exhibit 6

### Argyll and Bute Council LGBF relative performance 2014/15 to 2017/18

The percentage of indicators in the top two quartiles increased from 30 per cent in 2014/15 to 36 per cent in 2017/18, but around one-third of indicators are in the bottom quartile every year.



Notes:

1. Measuring council performance involved considering how all councils in Scotland are performing, ranked from lowest to highest, for each indicator. Relative performance against other councils was divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile includes the poorest performing councils.
2. The analysis is based on 44, mainly outcomes-based, indicators which were reported every year within the four-year period. The analysis excludes satisfaction or cost-based indicators where high or low cost cannot be easily determined as positive or negative. As Argyll and Bute does not hold data for indicators on housing these were excluded from the analysis, which is why the total is 90 per cent rather than 100 per cent.

Source: Source: Audit Scotland and Local Government Benchmarking Framework, Improvement Service, 2019

48. Performance across all service areas is mixed. [Exhibit 7 \(page 23\)](#) and [Exhibit 8 \(page 25\)](#) demonstrate the trends for selected indicators by service areas. We have focused on areas that are key to supporting the council’s vision of economic success, as well as any notable trends.

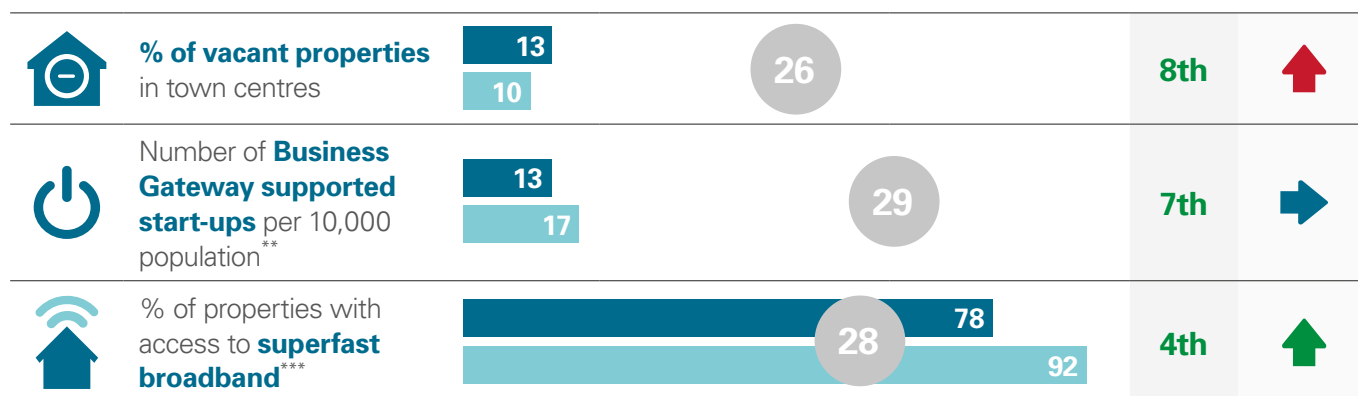
## Exhibit 7

Trends in performance for selected LGBF indicators for economic development, environmental and corporate services between 2014/15 and 2018/19

				Rank in family group <sup>1, 2</sup>	Trend since 2014/15
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### Economic development

Performance in the ten indicators related to economic development was mixed. While the council's relative investment in economic development and tourism is the sixth highest of all Scottish councils, progress against some economic outcomes lagged behind that for similar councils.\*



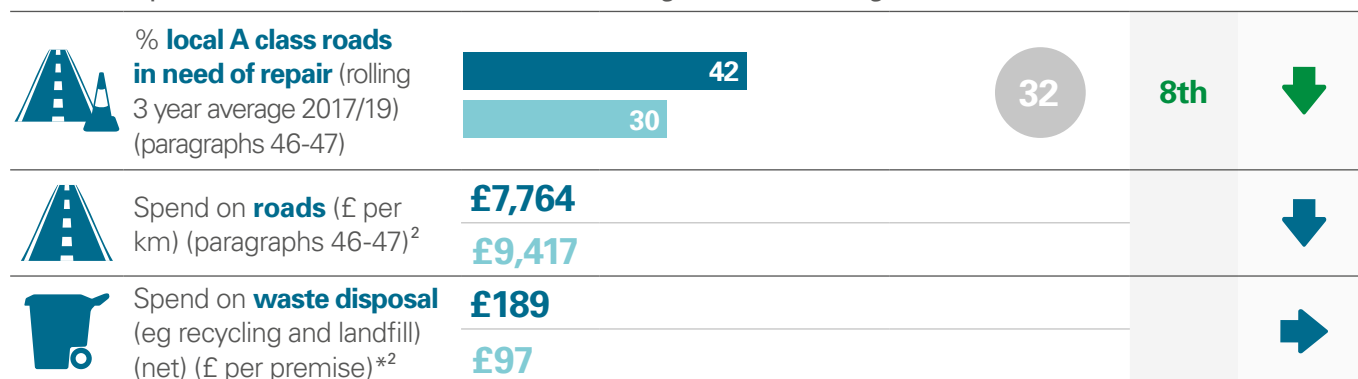
\* See paragraph 34 for a summary of the CPP's performance indicators relating to the first corporate outcome 'Our economy is diverse and thriving'.

\*\* Population decline can explain this trend to some extent.

\*\*\* The council should continue to drive the broadband agenda with its partners to ensure coverage continues to improve.

### Environmental services

Performance against the 14 LGBF indicators for environmental services is mixed. Waste disposal costs and road maintenance are significant challenges for the council.



\* Satisfaction with refuse collection declined over the same time period (paragraph 49). While the average tonnage of household waste collected in Argyll and Bute is low relative to other councils, waste disposal costs are high due to:

- the need for multiple waste disposal sites because of the varied geography and low population density of the council area (paragraph 8).
- an expensive and inflexible waste management contract that runs until 2026. This is limiting the opportunity to utilise alternative disposal methods. The council is currently liaising with the Scottish Government about its options regarding the future of the contract (as outlined in its draft waste strategy in September 2019).

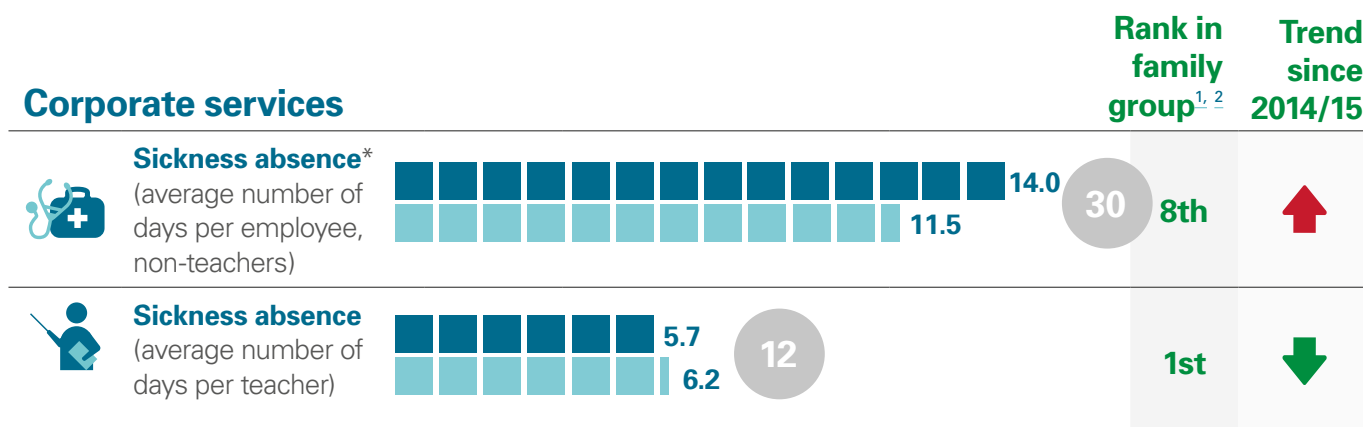
Legislation banning the landfill of biodegradable municipal waste is due to be enforced in January 2025. The council estimates that this will increase waste disposal costs by between £3.6 million and £6 million per year.

■ Argyll and Bute  
■ Scotland

● Argyll and Bute Council's rank out of 32 councils

Arrows showing the trends since 2014/15 have been colour coded red (performance declining) and green (performance improving) where the direction of improvement is clear.

## Exhibit 7 continued



\* The council reports that 30 per cent of sickness absences are due to stress and mental health issues. Despite a number of actions intended to maximise attendance and reduce stress in the workplace since 2014, sickness absence has continued to increase. In August 2019, the council published its wellbeing strategy 2019-24 which aims to reduce sickness absence by supporting mental, physical and financial wellbeing. The strategy does not clarify the specific actions the council plans to take, or the indicators and targets it will use to measure progress towards improving wellbeing. Health and wellbeing is also one of the seven priorities of the council’s 2018-22 workforce plan ([paragraph 85](#)).

- Argyll and Bute
- Scotland
- Argyll and Bute Council's rank out of 32 councils<sup>2</sup>

Arrows showing the trends since 2014/15 have been colour coded **red** (performance declining) and **green** (performance improving) where the direction of improvement is clear.

Notes:

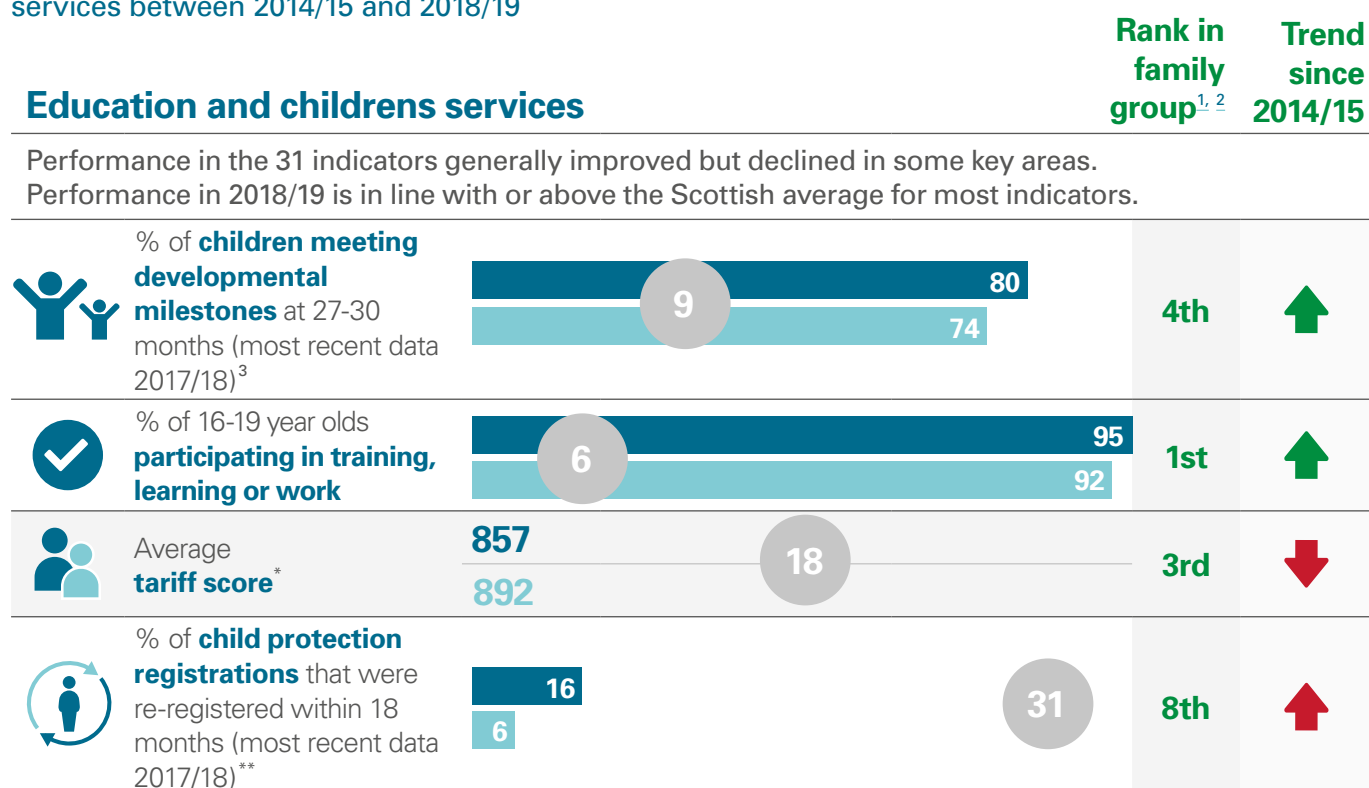
1. For these indicators, the Improvement Service group similar types of councils into family groups, based on their population density. Eight councils have similar population densities to Argyll and Bute: Scottish Borders, Dumfries and Galloway, Eilean Siar, Shetland Islands, Orkney Islands, Highland and Aberdeenshire.
2. Scotland and family group rankings are based on ranking each council from best performing (rank 1) to worst performing (rank 32 in Scotland or 8th in the family group). Cost based indicators have not been ranked because high or low cost cannot be easily determined as good or bad, without considering the context of individual council policies.

Source: Audit Scotland using the Local Government Benchmarking Framework, Improvement Service, January 2020.



## Exhibit 8

Trends in performance for selected LGBF indicators for education, childrens and adult social care services between 2014/15 and 2018/19

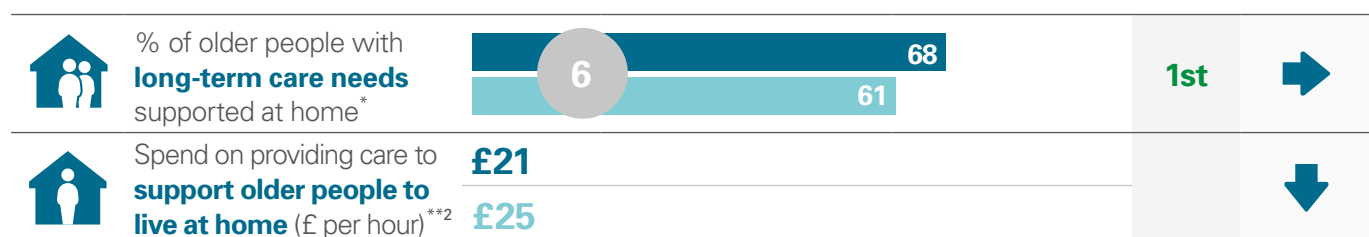


\* Following a period of improvement since 2014/15, the average tariff score declined between 2017/18 and 2018/19. Between 2014/15 and 2018/19 the average tariff score declined for Scottish Index for Multiple Deprivation (SIMD) quintiles two, three and four. The relative level of deprivation across Scotland is ranked from most deprived (SIMD 1) to least deprived (SIMD 5). The 2018/19 data was published in part in January 2020 and the council plan to analyse and report on this data once all indicators are published. The council report that outcomes in qualifications are evaluated on a school by school basis.

\*\* This indicates that more children were being removed from the child protection register before necessary safeguards had been put in place. The council has committed to improving its approach to risk assessments ([paragraph 52](#)). At June 2019, there had been no child protection re-registrations in the previous 12 months.

## Adult social care services

Performance followed the national trend for most of the 11 indicators.



\* The council is in a good position and is continuing to work on increasing the number of older people with long-term care needs to remain at home.

\*\* The reduction in spend is opposite to the national trend where spend is increasing. Spend on residential care for older people in Argyll and Bute has also declined, which is in line with the national trend.

■ Argyll and Bute ■ Scotland ● Argyll and Bute Council's rank out of 32 councils<sup>2</sup>

Arrows showing the trends since 2014/15 have been colour coded red (performance declining) and green (performance improving) where the direction of improvement is clear.

Notes:

- For these indicators, the Improvement Service group similar types of councils into family groups, based on their population density. Eight councils have similar population densities to Argyll and Bute: Scottish Borders, Dumfries and Galloway, Eilean Siar, Shetland Islands, Orkney Islands, Highland and Aberdeenshire.
- Scotland and family group rankings are based on ranking each council from best performing (rank 1) to worst performing (rank 32 in Scotland or 8th in the family group). Cost based indicators have not been ranked because high or low cost cannot be easily determined as good or bad, without considering the context of individual council policies.
- Data for this indicator was unavailable for six councils.

Source: Audit Scotland using the Local Government Benchmarking Framework, Improvement Service, January 2020.

## Service satisfaction improved in over half of the indicators but satisfaction with refuse collection has declined

**49.** Between 2012/15 and 2016/19 (using three-year rolling averages), satisfaction declined across most services at a national level, but the trends for the council are mixed ([Exhibit 9, page 27](#)). In 2018/19, satisfaction with:

- schools, libraries and street cleaning exceeded that for Scotland
- schools declined in line with the national trends, but at 80 per cent it remains higher than the national figure of 72 per cent
- refuse collection was the lowest of all Scottish councils and declined from 90 per cent in 2012/15, to 59 per cent in 2016/19 (compared with 76 per cent for Scotland). The council has not investigated the reasons for satisfaction levels ([paragraph 51](#)), but this trend coincides with the council moving to three-weekly collections of general waste in October 2016.

**50.** Satisfaction with adult social care has declined in line with national trends and is below the national average for most satisfaction indicators. Compared to all councils across Scotland, Argyll and Bute has the second lowest proportion of care services rated good or better (71 per cent against a whole of Scotland rating of 82 per cent). Further work is required by the council in order to understand the reasons behind this trend. Improved satisfaction in museums and galleries, libraries, and leisure facilities coincide with the establishment of LiveArgyll in 2017, who continue to work hard to maintain the improved satisfaction levels.

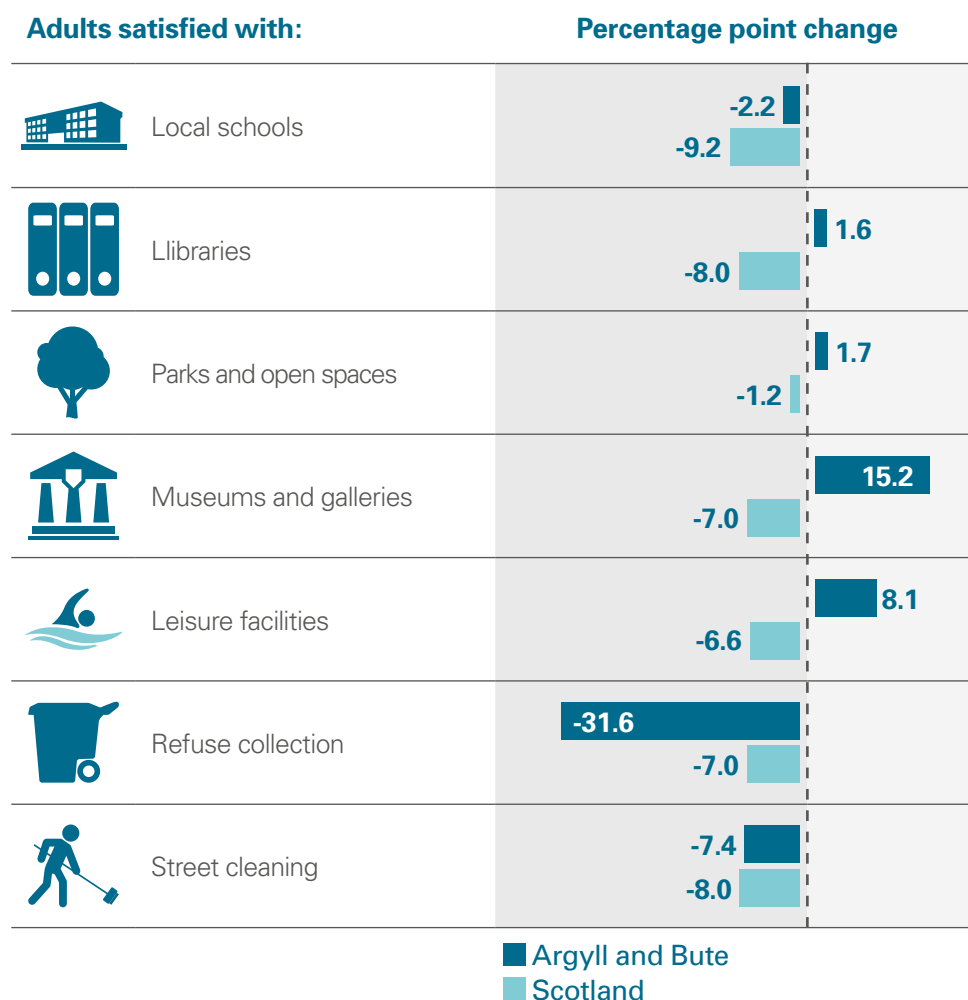
**51.** The sample sizes of national satisfaction surveys are generally low, and the council does not know the reasons behind satisfaction levels. The council should engage with communities to understand satisfaction rates to help improve service experience.

**52.** While the council runs quarterly surveys on the quality of engagement with its customers, it does not routinely conduct customer surveys on the quality of the services it provides (for example, for refuse collection). This means it does not have a comprehensive understanding of the level of satisfaction across services, the reasons for this and where residents would like to see improvement activity focused.

## Exhibit 9

Percentage point change in satisfaction between 2012/15 and 2016/19

Satisfaction improved for four of the seven LGBF satisfaction indicators.



Source: Audit Scotland using Local Government Benchmarking Framework data, Improvement Service, January 2020

### Following five inspections from Education Scotland over two years, the council has strengthened its leadership of education services and recognises that further improvements are required in services for vulnerable children and community learning

**53.** Between September 2016 and October 2018, Education Scotland carried out five inspections on the education functions of the council. The initial inspection in September 2016 identified a number of concerns about young people's attainment, the use of data, communication and leadership in education services. Education Scotland recommended urgent and sustained action to address the issues and carried out a further four visits to monitor the council's progress against its recommendations.

**54.** Education Scotland's final follow-up report in November 2018 noted improvements in attainment, that the council had strengthened its leadership, and

that staff worked with commitment to bring about a wide range of improvements. It plans no further visits in relation to the original inspection in 2016.

**55.** In June 2019, Education Scotland reported on Community Learning and Development (CLD) partners within Argyll and Bute Council and in the area of Helensburgh and Lomond. While the report noted community organisations were ambitious, it made four recommendations, including strengthening partnership working, governance arrangements and performance management. The council has implemented improvement actions, but it is too early to conclude what impact these have had.

**56.** In March 2019 the Care Inspectorate reported on services for children and young people in need of care and protection in Argyll and Bute. It noted improvements in the wellbeing of children in need of care and protection, and that it was confident that Argyll and Bute had the capacity to continue to improve. The report identified a number of further improvements required in relation to the consistency of risk assessment, access to specialist services, performance management and strategic commissioning. In response to this report and the high level of re-registrations for child protection in 2017/18 ([Exhibit 8, page 25](#)), the council's Child Protection Committee has committed to improving its approach to risk assessment and risk management, as well as improving the consistency of support to families after registration. At June 2019 there had been no child protection re-registrations in the previous 12 months.

### **The council has implemented policies to support its vision for population growth and economic development, but it has not monitored the impact of projects in a systematic way**

**57.** Since 2015 the council has put in place a number of initiatives to attract people to visit the area and apply for local jobs. Two examples of this are:

- In October 2016 the council launched a £500,000 Rural Resettlement Fund, to incentivise new residents and businesses to relocate to Argyll and Bute. By September 2019, the fund had brought 193 people including 56 children to the area and the net Gross Value Added (GVA) of the fund was estimated to be just over £1.95 million. The availability of the fund, however, did not encourage any new businesses into the area and in May 2018 the council took the decision to repurpose the remaining £150,000 of the fund to assist the growth of existing small and medium-sized businesses.
- In November 2018 the council started an Instagram site to promote the area, introducing #abplace2b. Over 10 days in March 2019, a Facebook advert of #abplace2b was seen by 36,472 people. By March 2019 the council was the most followed Scottish council on Instagram. Council officers report that this has helped to raise the profile of the area and has increased the number of job applications it has received.

**58.** Over the past ten years the council has run a number of schemes to assist regeneration and economic development in some of its main towns.

- The council and its partners (Historic Environment Scotland, the Heritage Lottery Fund and private business owners) have invested over £10 million in upgrading key properties in Campbeltown, Dunoon, Rothesay and Inveraray under the Conservation Area Regeneration Scheme (CARS). While the progress of these projects is regularly reported to the council, their economic impact has not yet been evaluated.

- In 2008, the council agreed to provide almost £35 million for regeneration projects in Argyll and Bute, which was named CHORD (paragraph 80).
  - In 2010, the council appointed a consultant to carry out socio-economic baseline reports and perception surveys for each of the five towns in the CHORD programme. Work first started on CHORD projects in 2010. The council established a comprehensive framework for monitoring and evaluating the outcomes at the end of each CHORD project, followed by an interim impact report in 2018 and a final report in 2020.
  - By January 2020 the council had not reported progress against this framework for any of its projects. At March 2020 only one project closure report had been produced. This related to investment in the harbour area in Oban; a project that was completed in March 2018. The report concluded that performance surpassed the forecasts established in the business case, with a net increase in both people and vessels to the town.

**59.** Without a consistent approach to evaluating the economic impact of regeneration projects such as CARS and CHORD, there is no evidence that the council have assessed and understand which regeneration and economic development initiatives have achieved their objectives and contributed to the council's vision and corporate outcomes. With the award of £50 million to support the council's Rural Growth Deal in October 2019 the council will need to monitor and report on future projects to demonstrate they support the delivery of the council's vision.

### **The council has demonstrated a commitment to incorporating equalities throughout its work and demonstrates clear examples of good practice**

**60.** There is clear evidence of strategic collaborative working between the council and third sector organisations. External partners' participation in the Equality Forum facilitates the continuous sharing of good practice and allows various groups to be better represented.

**61.** The council has a comprehensive process for carrying out equality impact assessments on how projects or service changes affect those with protected characteristics. The impact assessments incorporate the Islands Act and the Fairer Scotland Duty Act and have been shown to genuinely affect final decisions where there is an impact on equalities. This practice has recently been shared with the Scottish Government and the Improvement Service as an example of good practice.

**62.** The council has addressed concerns raised by Audit Scotland during work on the 2018/19 annual audit about the quality of its equalities training materials for staff. The council has developed its training materials and has rolled out mandatory equalities training for all staff, including staff without access to the IT network.

**63.** The council has commitment from its members and senior officers to continue the headway it has made in equalities. The council is aware of barriers to equal opportunities and takes steps to address these. The council values diversity in its workforce and takes steps to provide equality of opportunity for all staff.

# Part 3

## Is the council using its resources effectively?



The council's three-year budget recognises the financial pressures facing the council. The latest financial forecasts project a funding gap of between £9.8 million and £34.9 million between 2020/21 and 2022/23.

The council's annual budget process and savings plans have successfully achieved financial balance through a focus on cost reductions. Although the council's transformation programme has delivered some efficiencies and achieved small-scale savings further work is required by the council to better align its financial and transformation plans to drive meaningful change through new and innovative ways of working.

The council has good financial planning arrangements in place but could take steps to enhance its long-term strategy.

A more robust options appraisal process will ensure that decisions support social and economic outcomes.

A detailed strategic workforce plan is in place, but it is too early to comment on how successful this will be in creating a workforce able to deliver transformational change.

Staff feedback has highlighted concerns over job security and workforce pressures.

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**The council's three-year budget recognises the financial pressures facing the council. The latest financial forecasts project a funding gap of between £9.8 million and £34.9 million between 2020/21 and 2022/23**

**64.** The council estimates that there will be a budget gap of between £9.8 million (most optimistic) and £34.9 million (most pessimistic) over the three-year period 2020/21 to 2022/23. These projections are largely as a result of an assumed drop in funding from the Scottish Government and increased costs as a result of pay inflation. In the longer term the council projects a funding gap of £60 million by 2027/28. These financial pressures will require the council to make difficult decisions in the future.

**65.** In recent years Argyll and Bute Integration Joint Board (IJB) has incurred recurring overspends. The council has funded £4.3 million and the IJB has agreed to repay this over the financial years 2019/20 to 2022/23. The council's projections outlined above do not assume any additional overspend by the IJB. If the IJB incurs additional overspends or the repayment period is extended this will place additional financial pressure on the council and make it more difficult to achieve financial balance.

**66.** Historically, the council has maintained a consistent level of reserves although unallocated reserves have decreased by 28 per cent to £6.544 million since 2015/16. This reduction is in line with the council's strategy and the balance remains within the council's reserves policy.

### **The council has good financial planning arrangements in place but could take steps to enhance its long-term strategy**

**67.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the council's strategies, and which reflect the impact of future pressures on the council.

**68.** The council has good financial planning arrangements in place based around its medium to long term financial strategy 2018/19 to 2027/28 approved mid-way through 2017/18. The 2018/19 Annual Audit Report (AAR) confirmed that the strategy had been reviewed against the requirements set out in [Scotland's public finances – a follow-up audit: Progress in meeting the challenges](#) (June 2014), noting some scope for improvement, but confirming that most requirements were present in the council's strategy.

**69.** The strategy includes forecasts for revenue, capital and treasury management and details of plans to mitigate future budget gaps. The underlying principles previously agreed by the council provide a flexible framework within which the council can react to changing financial challenges.

**70.** The AAR recommended that the council should consider enhancing the long-term strategy when it is next reviewed. In particular it should consider providing detailed financial plans for up to five years, providing details of changes in assets, liabilities and reserves over time and including an analysis of levels of service demand.

### **The annual budget process and savings plans have successfully achieved financial balance and the transformation programme has delivered some efficiencies and achieved small scale savings. Further work is required by the council to better align its financial and transformation plans to drive meaningful change through new and innovative ways of working**

**71.** The council has made efforts to engage with the public during the budget setting process through its website. It asks members of the public to submit their own priorities for the budget, along with suggestions for savings and income generation. The views of around 1,500 residents were collated and included in the council's 2019/20 budget proposal in February 2019. Following agreement of the budget, the council produced a report detailing the impact of the consultation in May 2019.

**72.** The council has responded to its challenging budget outlook by creating savings plans to address the annual budget gap. Annual savings plans for the following year are created and considered by the Policy and Resources Committee. The final savings plan for each year is submitted to the full council for approval as part of the annual budget proposal.

**73.** The council reports its financial position, financial projections and savings plans regularly throughout the year to the Policy and Resources Committee. Financial reports are of a high quality and clearly explain the council's financial position.

**74.** Our 2015 Best Value audit report noted that, 'the council's approach to meeting future financial challenges needs to improve. Options for longer-term savings are heavily based on low-level cuts to individual service budgets, rather than doing things differently.' There has not been significant movement in this area and the council remains focused on cost reductions cuts.

**75.** [Exhibit 10](#) summarises recent savings plans, and their impact. The council has focused on making savings through incremental cuts to budgets for core services or through the removal of non-statutory services. The proposals also outline the impact the savings will have in terms of staff reductions for the council.

**76.** While the council has achieved a balanced budget and generated savings and efficiencies these will not address the budget gaps outlined in [paragraph 64](#) and do not support the transformational change required to achieve the council's vision. The council recognises that it needs to be clearer in how it will focus on achieving the balance between generating required savings while successfully delivering the long-term ambition of service redesign at scale.

## Exhibit 10

### Council savings proposals in 2018/19, 2019/20 and 2020/21

Savings proposals			
Year	Anticipated savings in year (£ millions)	Anticipated reduction in staff in year (FTE)	Approach
2018/19	0.621	6.3	Officers were asked to deliver a targeted level of savings within their service.
2019/20	1.986	55.8	Led by the Transformation Board the council reconsidered the budget in terms of services being broadly statutory or non-statutory.
2020/21	2.112	31.5	Officers were asked to deliver a targeted level of savings within their service.

Source: Audit Scotland using data provided by Argyll and Bute Council



**77.** Although a three-year outlook is part of the council's existing monitoring reports, as noted above it currently sets budgets on an annual basis. The council recognises that a three-year budget-setting process would support a more strategic financial decision-making process and is considering implementing this in the future.

### **The council needs to put in place a robust options appraisal process to ensure that decisions support social and economic outcomes**

**78.** The council approves the capital programme each year as part of the annual budget setting process. The Policy and Resources Committee monitors capital spending throughout the year. The council has generally good processes in place for monitoring and reporting spending on capital projects.

**79.** As the council embarks on the Rural Growth Deal (RGD) it needs to ensure it has robust processes in place to evaluate and successfully deliver projects, placing investment where it will best develop Argyll and Bute as a successful region. The council also needs to ensure it has the capacity and capability within its workforce to deliver the RGD.

**80.** As noted in [Part 2](#) above, in November 2008, the council unanimously agreed to allocate almost £35 million to CHORD for the delivery of 16 projects, as a way of assisting regeneration and economic development in five of its waterfront towns:

- Campbeltown      £6.5 million
- Helensburgh      £6.7 million
- Oban                £6.9 million
- Rothesay           £2.4 million
- Dunoon            £12.3 million.

**81.** The council expanded the programme and, to date, the cost of the 16 projects has increased by approximately 40 percent to around £50 million. The additional cost of the projects has been shared with 75 per cent incurred by the council and the remaining 25 per cent met from external sources.

**82.** The council's process for reviewing business cases is not as strong as it could be. One of the CHORD projects was the refurbishment of Rothesay Pavilion ([Case study 1, page 34](#)). All 16 outline business cases were reviewed and scored, with Rothesay (Pavilion and Townscape Heritage combined) identified as the best option. As outlined in [Case study 1](#), the Rothesay Pavilion CHORD project has overspent and missed the deadline for the project to be operational.

## Case study 1

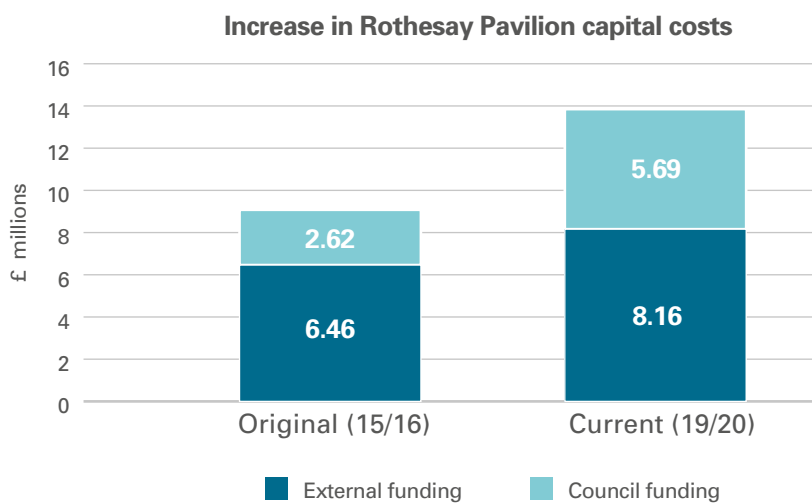
### Rothesay Pavilion



The CHORD outline business case was approved by the council in 2008 and included funding for the refurbishment of Rothesay Pavilion, a Category A listed building constructed in 1938. The outline business case scored Rothesay (Pavilion and Townscape Heritage combined) highest in terms of cost benefit. The council approved a full business case in 2015, which planned to create a cultural and community hub within the pavilion with space for events, exhibitions and local business use. The Rothesay Pavilion Charity was created with the intention of leasing the completed pavilion from the council and taking on responsibility for its day-to-day running.

A number of issues have arisen during the project, in terms of both costs and completion:

- **Capital Cost** – The budget for the project has increased from £9.079 million in 2015/16 to £13.845 million in 2019/20. Funding for the project is split between the council and various partners. During the period 2015/16 to 2019/20 the amount funded directly by the council has more than doubled from £2.620 million to £5.689 million.
- **Delivery date** – Rothesay Pavilion was originally planned to re-open in December 2018, however this is currently scheduled for April 2020.
- **Running Costs** – The Rothesay Pavilion Charity is to undertake day to day running of the pavilion and was set up for this purpose. Initial business plans required that the council contribute £0.150 million each year for the first five years the pavilion is operational, and the council agreed this in September 2014. Revised estimates in 2019 have suggested that the approved business plan's projections were optimistic and may require the council to contribute additional revenue funding.



Source: Audit Scotland using information provided by Argyll and Bute Council

**83.** When undertaking any capital regeneration project, it is essential to have robust governance arrangements in place to ensure:

- there is a sound business case

- a transparent options appraisal
- clear project management arrangements
- regular monitoring and reporting of project updates
- post completion review including an economic impact assessment.

**84.** To ensure the RGD supports the development of Argyll and Bute as a successful and prosperous region, elected members and officers should take the opportunity to learn from the challenges presented by the Rothesay Pavilion project and take actions to:

- ensure good governance arrangements for capital projects are systematically in place
- seek appropriate, evidence based, assurances that such arrangements are routinely applied to all capital projects
- satisfy themselves that such arrangements are used to drive informed decision-making at all levels in the council.

**A detailed strategic workforce plan is in place, but it is too early to comment on how successful this will be in creating a workforce able to deliver transformational change**

**85.** The council published its Strategic Workforce Plan in 2018. The workforce plan sets out the direction for the council's workforce of the future. It identifies seven priorities for the next four years:

- Growing excellent leaders and managers
- Talent management
- Values and behaviours
- Employee voice – involving and engaging our employees
- Recognition and reward
- Recruitment and retention
- Health and wellbeing.

**86.** The council struggles to recruit to specific professional posts, including teaching, social work, engineering and planning. The Strategic Workforce Plan outlines its 'Growing Our Own' scheme which develops staff already working within the council as well as reaching out to school students; providing them with advice and information about future careers with the council. As part of the scheme the council has developed a range of training positions including foundation, modern and graduate apprenticeships as well as professional traineeships.

**87.** In its 2016 People Strategy, the council outlined plans to create 60 modern apprenticeship places by 2020. As at January 2020, 60 places had been offered, 37 had been completed and 27 of these (73 per cent) had secured employment with the council. Eight apprentices dropped out early on in the scheme and 15 modern apprentices were in training.

**88.** Skills Development Scotland provides funding for apprenticeships at the council through an apprenticeship levy which is used to invest in both current and future employees. At April 2018, the council had received £20,000 funding to deliver foundation apprenticeships. The council now aims to increase grants for apprenticeships by focusing efforts on securing funding for foundation apprenticeships in teaching and social care and secured funding for 41 places in 2019/20 and 47 places in 2020/21.

**While the council has had some success in its ‘Growing Our Own’ scheme, it is too early to assess if this will be sufficient to address the shortfall in experienced staff required to support the transformational agenda**

**89.** The council’s modern apprenticeship scheme has been successful in attracting new people to work for the council, but both total staff headcount and the number of full-time equivalents (FTEs) has continued to decrease since 2010/11 ([paragraph 11](#) and [Exhibit 3, page 12](#)). In addition, 46 per cent of all council employees are aged 50 or over and only three per cent of the workforce are aged 25 or under.

**90.** The council needs to ensure its workforce plan is integrated with its financial strategy and savings plans, to manage changes in staff effectively and minimise the impact on the quality of service provision. Continued reductions in employee numbers has led to extensive use of temporary contracts.

**91.** The council has a targeted voluntary redundancy policy, primarily to address financial pressures. It can also use a compulsory redundancy policy to achieve financial savings, if required. Further reductions are planned in line with medium-term savings requirements, with a 31.5 FTE staff cut proposed in 2020/21.

**92.** At March 2018, 20 per cent of the council’s workforce were on temporary contracts ([Exhibit 3, page 12](#)). The council utilises temporary contracts to carry out specific projects, for the implementation of service redesigns and to help with budget restrictions. The council recognises that the use of temporary contracts can create uncertainty for the wider workforce, encourage people to seek more stable employment elsewhere and can have an impact on employees’ wellbeing.

**93.** The council’s current approach to short-term financial planning is limiting its ability to effectively plan its workforce. As the key employer in Argyll and Bute, the council should consider the impact that the planned year-on-year reductions in staff and the use of temporary contracts will have on its key economic objective of growing the working age population.

**Staff are concerned over job security and workforce pressures**

**94.** The council has made progress in working to understand the views of its staff and undertook employee surveys in 2016 and 2019. While respondents felt increasingly positive about the balance of their employment deal, the 2019 survey

highlighted issues around communication from senior management, uncertainty over job security and recognition. The response rate fell from 23 per cent in 2016 to 20 per cent in 2019.

**95.** In June 2019, using the results from the employee survey and other intelligence, internal audit reported on the organisational culture of the council. The report identified seven areas for improvement that included: better communication from senior management; clarifying the performance development review process; improving training programmes and providing evidence of the actions taken in response to employee surveys. At December 2019 the council had completed 11 of its 26 actions in response to the internal audit report, but it is too early to conclude what impact these have had on culture and staff perception.

**96.** As detailed in [Exhibit 10 \(page 32\)](#), savings plans identify projected staff cuts in certain services each year. Feedback from a selection of staff that we spoke to during the audit said this was unsettling and is having an impact on the health and wellbeing of council employees. Staff also reported that they are concerned over job security and increased work pressures. They worry about having to take sick leave and how this will be perceived.

**97.** Staff feedback highlighted an example of a council support service not having sufficient staff resource to provide basic service provision, adding significant pressure to those staff still in place. In response the council had to recruit additional members of staff with less experience.

**98.** As outlined previously in [Exhibit 7 continued \(page 24\)](#), sickness-absence levels for non-teaching staff have increased significantly over the last two years. We have provided a more detailed analysis of this issue and the councils response in [Exhibit 7 continued \(page 24\)](#).

### **Training opportunities should be consistent across all geographical areas within the council**

**99.** The council makes active use of an online training portal, and uptake of training at middle management level is high. However, frontline staff in rural areas highlight challenges around training and development which can be prohibitive for those colleagues who live in rural areas and islands, specifically the:

- distance needed to travel to training events
- opportunity cost in terms of time out of the office
- cost of accommodation and public transport.

**100.** The opportunity exists to review the support and resources provided to staff in rural areas and explore the options for greater use of online training to support them in their role.

# Part 4

## Is the council working well with its partners?



The council has made good progress with partnership working and there is a clear structure to support this.

The Integration Joint Board has had significant staff turnover. In 2018/19 the council provided additional funding of £3.1 million to cover the social services element of the IJB overspend.

The council has developed four Area Community Planning Action Plans and should continue to consider how to support local communities as they develop their community-led action plans.

The partnership has positive examples of communities improving experiences for residents and now needs to focus on the delivery of the long-term outcomes.

Communities across Argyll and Bute are resilient and self-sufficient. The council has a challenging role in reconciling the varied needs of its numerous communities. Establishing priorities setting out how it can support them will help the council meet this challenge.

Argyll and Bute's future economic success is dependent on effective collaboration with both public and private sector partners. The council recognises that it needs to maximise its influence with key partners.

### The council has made good progress with partnership working and there is a clear structure to support this

**101.** The council has made good progress with partnership working and works well with a range of partners including Police Scotland, Scottish Fire and Rescue Service, third sector organisations, youth groups, Area Community Planning Groups, and business partners.

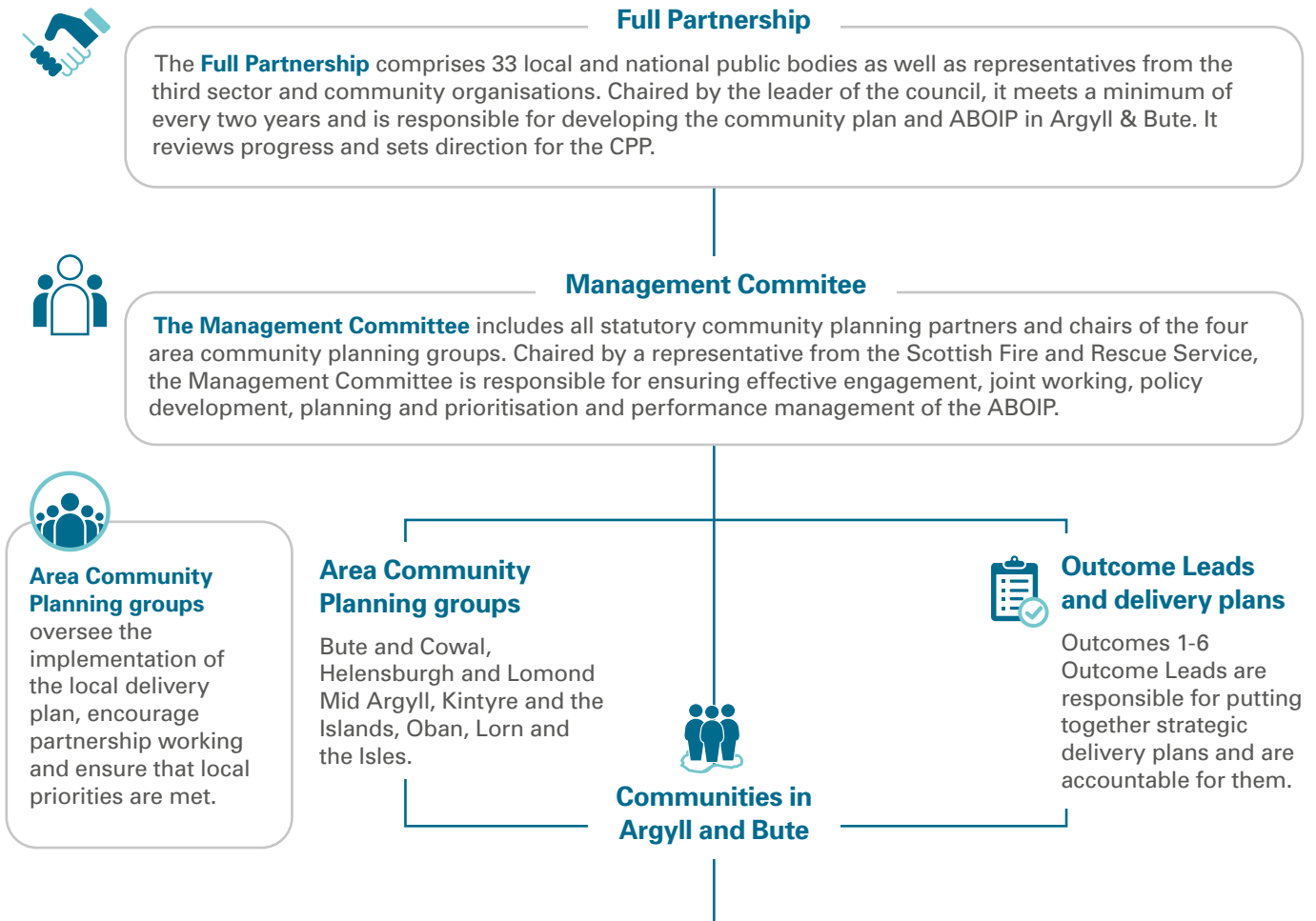
**102.** The council and its community planning partners articulated their vision in the 2013-2023 Argyll and Bute Outcome Improvement Plan (ABOIP). The vision that 'Argyll and Bute's economic success is built on a growing population' is underpinned by six long-term outcomes:

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

**103.** To support the delivery of the outcomes the Community Planning Partnership's (CPP's) Full Partnership delegates responsibility for various aspects of community planning to the CPP Management Committee, four Area Community Planning Groups, and the Outcome Leads and delivery plans group (Exhibit 11).

**104.** There have been a number of changes in representatives from partner organisations on the CPP Management Committee in recent years. It is important that the council and partners monitor and plan for change to ensure efficient handover and continuity of actions.

## Exhibit 11 Membership and structure of Argyll and Bute Community Planning Partnership



**Outcome 1**

The economy is diverse and thriving.

**Joint leads:** Head of Economic Development (Council) and Area Manager for Argyll and the Islands (Highlands and Islands Enterprise).

**Outcome 2**

We have infrastructure which supports sustainable growth.

**Outcome 3**

Education, skills and training maximises opportunities for all.

**Lead:** Representative from Skills Development Scotland.

**Outcome 4**

Children and young people have the best possible start.

**Lead:** Chief Officer of Argyll and Bute HSCP.

**Outcome 5**

People live active healthier and independent lives.

**Lead:** Public health representative

**Outcome 6**

We have infrastructure which supports sustainable growth.

**Lead:** Representative from Police Scotland



### **The council has demonstrated a willingness to improve partnership working**

**105.** The ABOIP is supported by strategic delivery plans that are developed by Outcome Leads and reviewed by the CPP Management Committee and Area Community Planning groups. In 2019 the council introduced deputy outcome leads and deputy chairs of the Area Community Planning Groups to strengthen resilience and capacity within the CPP structure.

**106.** The council's Community Planning and Development Team has taken a lead in facilitating the work of the CPP. The CPP Management Committee meet quarterly. Its members include the leads for the six ABOIP outcomes and the chairs of the Area Community Planning Groups. The CPP Management Committee meetings allow for open and inclusive exchange between partners. In its lead CPP role, the council has demonstrated that it has looked for feedback from partners and introduced ideas on improving partnership working with partners contributing to the CPP improvement plan during annual CPP development days.

**107.** The full partnership includes members from 33 organisations and meets a minimum of every two years to oversee the CPP work. As noted in [paragraph 36](#), the full partnership does not receive any regular update performance reports for review and comment. The council and its partners need to clarify the purpose of the full partnership.

### **The Integration Joint Board (IJB) has had significant staff turnover. In 2018/19 the council provided additional funding of £3.1 million to cover the social services element of the IJB overspend**

**108.** The Integration Joint Board has experienced significant turnover of key staff over the last 18 months.<sup>4 5</sup> The Chief Officer left at the end of September 2018 and a new Chief Officer was appointed on 1 October 2018. Two chief financial officers departed during the year and from 1 December 2018 to 30 June 2019 interim cover was provided by the council's Head of Strategic Finance, in addition to her normal council duties.

**109.** The turnover of senior staff resulted in a reduced focus on delivering approved savings. With the temporary appointment of the Head of Strategic Finance, there was a marked improvement in the budget monitoring reports presented to the IJB board from January 2019.

**110.** On 1 June 2019, the Interim CFO was replaced by the current Head of Finance and Transformation who has retained the form and content of the budget monitoring reports and the regular reports on budget outlook, and financial risks and has further enhanced financial performance reporting to track progress on savings plans. The suite of financial performance reports now available to IJB members allows them to monitor, assess and challenge the financial position more effectively.

**111.** The Scheme of Integration states that where financial recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the Partner Bodies will be required to make additional payments to the IJB.

**112.** In line with the Scheme of Integration the Partner Bodies provided additional funding to cover the 2018/19 overspend. The health element of the overspend was covered by Scottish Government brokerage and does not need to be repaid. However, the overspend on Social Work services must be repaid. Payback arrangements have been negotiated with the council for overspends incurred in both 2017/18 and 2018/19. The money due to the council will be deducted from future funding. This is a significant addition to the financial pressures facing the IJB in future years and has been included in baseline budgets from 2019/20 onwards.

**The council has demonstrated good partnership working practice with a broad range of stakeholders**

**113.** The council, working with a range of local and national stakeholders has successfully delivered projects. The council has been proactive in taking a lead partner role to ensure projects deliver a positive, long term outcome.

**114.** The Syrian Refugee Resettlement Programme ([Case study 2, page 43](#)) is an example of the council working with partners to deliver a successful project and supporting individuals and communities to deliver a positive outcome.

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## Case study 2



### Refugee Resettlement Programme

In 2015, the council agreed to resettle Syrian refugee families through the Home Office's Syrian Vulnerable Persons Relocation Scheme. The first family arrived in December of that year. By November 2019, 18 (76 individuals) of the 31 families that had originally been settled on Bute were still living on the island.

The seven children born to refugee families during this time have been awarded the same refugee status as their parents. Families who arrived in 2015 will soon be applying for settlement in the UK as their current refugee status lasts for only five years.

All refugee families have a support worker who provides welfare and budgeting advice. Families are supported to learn English and find housing, education and employment.

In order to provide the best support for the families a Refugee Resettlement Group was established. This group comprises representatives from: the council resettlement team; education; community learning; health and social work; Business Gateway; Argyll Community Housing Association; Fyne Homes; Police Scotland; Scottish Fire and Rescue Service; the Department for Work and Pensions and the Bute Advice Centre.

Refugee families interested in self-employment were offered support to open businesses, through a Home Office pilot programme. Business Gateway has provided advice on business planning, helped to source funding and assisted with completing application forms. Business Gateway has also helped families comply with local authority requirements and engage with key council services. This included helping individuals to find suitable business premises by engaging with the council estates team and Highlands and Islands Enterprise.

Business Gateway continue to support businesses once they have been established and provide advice on local marketing and support applications for the small business bonus scheme.

Successful businesses set up by Syrian Refugees on Bute include a patisserie which opened in June 2018, a takeaway and a barber. Several individuals have also been involved in volunteering and work experience opportunities.

The UK Home Office manages and funds the scheme and had provided a total of £1.7 million by September 2019. The UK Government has confirmed it is committed to resettling refugees after 2020 when the original programme was due to end.

Source: Audit Scotland using information provided by Argyll and Bute Council

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## The council should work with communities and community groups to understand and address their concerns in respect of the current asset transfer arrangements

**115.** The council has made progress in implementing the requirements of the Community Empowerment Act 2015. It has introduced guidance for processes such as asset transfer and participation requests.


**116.** Since legislation regarding asset transfers came in to force in January 2017 there have been at least 11 expressions of interest, with three requests submitted to the council, and one being approved. Three asset transfers were completed before January 2017. This included the transfer of Campbeltown Town Hall to the South Kintyre Development Trust in October 2014.

**117.** Feedback from community focus groups highlighted a perception that the current asset transfer processes is complex and does not fully support community empowerment to allow community groups to progress transfer requests without significant support. The council should work with communities and community groups to understand and address their concerns in respect of the current asset transfer arrangements.

## The council has developed four Area Community Planning Action Plans, and should continue to consider how to support local communities as they develop their community-led action plans

**118.** The Community Empowerment Act required CPPs to develop at least one locality plan for the area by 2017. The council developed four locality plans, known as Area Community Planning Action Plans (ACPAPs) 2017-2020, complementing the existing four administrative Area Community Planning Groups. The four administrative areas are:

- Bute & Cowal
- Helensburgh & Lomond
- Mid Argyll, Kintyre and the Islands (MAKI)
- Oban, Lorn and the Isles.

**119.** The council's approach with ACPAPs was to identify the areas of greatest deprivation and in need of improvement. It used a framework called the **Place Standard tool**  to consult with the four areas, which was combined with SIMD data, and the Improvement Service's Community Planning Outcome Profile tool to identify the area's most in need. For example, the Bute & Cowal Area Community Planning Action Plan 2017-2020 identified Dunoon and Rothesay as areas for targeted CPP activity. The council engaged with communities in 2019 with the aim of updating the ACPAPs in 2021.

**120.** Progress against the four ACPAPs is reported to the respective Area Community Planning Groups. As of October 2019, the four action trackers showed limited progress against the planned actions, with less than half of the actions completed within the agreed target dates for three out of four community areas.



**The Place Standard tool** is a Scottish Government tool that provides a framework to structure conversations about a place. It allows you to think about the physical elements of a place (for example its buildings, spaces, and transport links) as well as the social aspects (for example whether people feel they have a say in decision-making).

**121.** In addition to the four ACPAPs, 28 smaller communities across Argyll and Bute have developed their own plans, which are known as community-led action plans, with more communities expressing an interest in doing so.

**122.** Community led action plans belong to the community and consist of actions that the community themselves are taking forward. It is important to ensure that all geographical areas of the council, including islands, are able to access assistance in developing their own community led action plans. To ensure all topics are considered, it is important that the community led action plans are developed and updated for all areas and feed into the current development of new ACPAPs.

### **The partnership has positive examples of communities improving experiences for residents and now needs to focus on the delivery of the long-term outcomes**

**123.** The CPP produces annual progress reports against each of the six ABOIP outcomes. These include examples of what the partnership has delivered against each outcome.

**124.** Some examples of initiatives resulting from area community planning groups include:

- The Strachur Hub – this is a centre for older people to socialise, exercise and have lunch. Its aims were to tackle isolation and support independent living. The initiative was put forward by a practitioner nurse and delivered in partnership with the Health and Social Care Partnership (HSCP) and the Cowal Community Care Forum. It is supported by the Integrated Care Fund of the HSCP. Approximately 37 people, with an average age of 82, meet in the hub once a week. They participate in strength and balance exercises, T'ai Chi Classes and other games.
- Housing on Jura – the community of Jura had concerns over infrastructure and the capacity of utilities and housing after the development of a golf course on the Ardfin estate bringing in more employment to the island. A short-term working group was set up through the MAKI Community Planning Group to look at this and as a direct result, the allocation of housing in the Strategic Housing Investment Plan (SHIP) for the Isle of Jura was increased from five to 11.
- Weekly sessions for young people with learning or physical disabilities in S4,5 or 6 in Oban – this came about as a direct result of the Area Community Planning Group and engagement with the initial Area Community Planning Action Plan. A focus group was set up between the Health and Social Care Partnership, the Education Service and the third sector.
- Lochgilphead Community Council working with the Mid Argyll Youth Forum: twice a year the community council invite the youth forum to meetings to encourage young people to get involved in community councils. This was presented to the MAKI Area Community Planning Group as good practice and encouraged other community councils in the area to make similar linkages with their local youth forums.

**125.** With limited staff capacity there is a risk that partnership activity falls short of expectations and presents a risk to the delivery of projects and schemes. The partnership has developed action plans for their six long-term outcomes and should ensure it focuses on the delivery of these for the area.


**Communities across Argyll and Bute are resilient and self-sufficient. The council has a challenging role in reconciling the varied needs of its numerous communities. Establishing priorities setting out how it can support them will help the council meet this challenge**

**126.** Communities across Argyll and Bute are diverse with wide-ranging needs. Engaging with mainland and island communities in a meaningful way and understanding unique local needs and challenges are key to delivering the council's vision and outcomes.

**127.** The geography and make-up of the various communities within Argyll and Bute makes it more challenging for the council to reconcile the different communities' varied needs. For example, the Isle of Bute and Campbeltown have faced economic growth and depopulation challenges. Conversely, Islay and Jura have experienced shortages of affordable housing as a result of a booming whisky industry and population growth. The council should assess current resources to ensure that it can adequately respond to these challenges and liaise effectively with affected communities.

**128.** The council is committed to improving its community engagement, which is reflected in three of the eight priorities in the Corporate Plan 2018-2022, specifically:

- We support individual and community wellbeing
- We strengthen and empower our communities
- We have greener and cleaner communities.

**129.** There is a dedicated Community Development section on the council's website, providing clear guidance to individuals and groups on how to access the council's community support. The council has demonstrated its commitment to understanding local needs by engaging with communities through consultations and "we asked, you said, we did" webpage, events, such as **charrettes** , and a digital participatory budgeting pilot.

**130.** Communities across Argyll and Bute are resilient and self-sufficient, and a variety of initiatives have been completed by numerous volunteer community groups across the council area. Feedback from communities suggests that the council could further improve engagement by:

- more direct communication from the council on what has been done as a result of consultation
- greater clarity on the purpose of engagement events to help communities make decisions on what to participate in
- recognition of, and action to address, volunteer fatigue. For example, we were told that on Islay alone there are 130 volunteer groups




A 'charrette' brings people together to discuss a place and how it could work. Charrettes are an intensive way of working, usually taking place over several days. During this time, a design studio is set up in the area, and everyone with an interest comes together to create a shared vision.

- nominating key points of contact within the council to 'get things done'
- reducing the complexity and bureaucracy of council processes which are perceived to slow down the progress of planned community initiatives
- greater consideration of the place and timing of engagement events and meetings, to enable community members to participate and to minimise the financial burden on attendees who have to pay their own costs.

**131.** Reflecting on community feedback, establishing priorities in how it can better support communities will help the council meet this challenge.

### **Argyll and Bute's future economic success is dependent on effective collaboration with both public and private sector partners. The council recognises that it needs to maximise its influence with key partners**

**132.** The council recognises that it cannot achieve its vision without engaging with a range of partners, both within Argyll and Bute and across the UK.

**133.** In 2014 the council set up an **economic forum**  to consider the issue of population decline from a commercial perspective. In 2016 the forum identified tourism and food production (particularly aquaculture) as two clear areas for employment growth. It also predicted growth in information technology services, marine science and academic research and teaching. The forum recommended that the council and its partners focus on supporting tourism and food production as well as investing in the four towns of Dunoon, Rothesay, Campbeltown and Helensburgh.

**134.** In 2018 the economic forum reported positive progress, including a 22 per cent increase in visitor numbers between 2016 and 2018, a 10 per cent increase in aquaculture and a 28 per cent increase in student numbers at higher education institutions. However, the report noted limited progress on improvements to the trunk roads, which, it concluded were a 'long-term deterrent to both tourism and industry'. The economic forum was disbanded in June 2018 and instead of developing a new business forum, the council has focused on developing its proposals for the Rural Growth Deal.

**135.** The council considers members of the **Rural Growth Deal (RGD) steering board**  as its key partners in helping to deliver its vision of economic success. Agreed in October 2019, the RGD will bring £50 million investment to Argyll and Bute over ten years. The deal is funded equally by the Scottish and UK Governments. As the RGD has only recently been agreed, investment decisions for projects have still to be concluded.

**136.** Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE) and Argyll and the Isles Tourism Cooperative will help to facilitate engagement between the council and local businesses. However, with no economic forum, and limited representation from the commercial sector, including food and drink producers on the RGD steering board, the opportunities for meaningful engagement with key industries in the area are limited. As RGD projects develop and business cases are prepared, the council will need to develop effective working relationships with businesses to facilitate robust contract negotiation processes. The council should consider reinstating an economic forum to provide the opportunity for leadership to drive this key outcome and vision.



Members of the economic forum included business and council leaders, the Scottish Government, Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE), the Scottish Association for Marine Science (SAMS) and CalMac.



The steering board for the Rural Growth Deal comprises:

- Argyll and Bute Council
- Highlands and Islands Enterprise
- Scottish Enterprise
- Skills Development Scotland
- Argyll and Bute Community Planning Partnership (a private sector forum)
- Argyll and the Isles Tourism Cooperative

**137.** The council must also ensure it balances the needs of successful industries with the needs of its communities. For example, as the whisky industry continues to grow on Islay, the council will need to work with distilleries to manage the impact of the growing population and traffic on Islay on council services such as housing and roads.

**138.** Following the closure of two key employers in Campbeltown (a wind tower manufacturer and a creamery) in 2019, the Scottish Government called an emergency economic summit in November 2019 to identify potential solutions. The summit was directed by Scottish Ministers; the council had no control over those attending and the South Kintyre Development Trust (a community organisation established in 2011) was not invited. This meant that the Scottish Government and thereby the council missed an opportunity to engage with key community representatives affected by the closures.

**139.** Successful collaborative working with Scottish Government agencies and other public bodies is also key to supporting the council's goals of economic development. Given the location of Argyll and Bute, bordering both the central belt and the highlands and islands, the council often needs to work with multiple agencies that sometimes have different priorities. For example:

- For economic development initiatives the council works with both SE and HIE. Audit Scotland's 2016 report on [Supporting Scotland's economic growth](#)  noted the different coverage and priorities of HIE and SE, with HIE's additional remit of supporting social and community development. This means that HIE support that might be available to a business or community group in most of Argyll and Bute is not available to Helensburgh and Lomond-based businesses.
- For transport-related issues the council needs to work with both Highlands and Islands Transport Partnership and Strathclyde Partnership for Transport. When feeding into the Scottish Government's national Strategic Transport Projects Review 2, the council made clear its intentions to be considered as part of the Glasgow transport network rather than an isolated area. As noted in the final report of the economic forum, investment in the trunk road network and improving rail and ferry links across Argyll and Bute will be key in supporting the council's goals for economic development. The Scottish Government plan to report the outcome of the Strategic Transport Projects review in 2021.

**140.** In February 2017 the CPP signed a memorandum of understanding with the Royal Navy and the UK Government for:

*'an enduring and mutually supportive relationship between HM Naval Base Clyde and Argyll and Bute CPP to achieve maximum benefit for the base and the wider community of Argyll and Bute'*

**141.** In August 2019, Scottish Enterprise reported on the potential significant economic and social opportunities and needs that the planned expansion of the base creates. The report estimates that potentially an additional 1,700 jobs (excluding construction) would be created, which would bring an additional gross value added of £65 million per year to Argyll and Bute.



**142.** Other future economic development opportunities include the planned expansion of the European Marine Science Park in Oban and the potential redevelopment of the Machrihanish airbase into a spaceport.

**143.** The council recognises that it needs to maximise its influence with its key partners. The council needs to improve its ability to influence large partner organisations to ensure that when they make key decisions, they fully understand the needs of Argyll and Bute and take them into account.

# Part 5

## Is the council demonstrating continuous improvement?



While relationships among elected members and senior officers have improved significantly since the previous Best Value report in 2015, the pace of change has been slow in some areas, particularly in the use of performance management to drive improvement.

The council has an improvement framework in place but progress against the self-evaluation programme has been slow.

The council's transformation programme has achieved small-scale savings but there is limited evidence of transformational service redesign.

The council has made good progress in modernising its digital infrastructure and is now working on embedding digital skills across the council.

The transformation board is now focusing on commercialisation to realise its vision of economic success.

### **The council's pace of change since the previous Best Value report in 2015 has been slow in some areas, particularly in the use of performance management to drive improvement**

**144.** In 2015, the council was subject to a Best Value audit. The Controller of Audit and the Accounts Commission acknowledged and welcomed the progress by the council since 2013 in relation to improved governance, decision-making and scrutiny arrangements and the improving relationships between political groups and between members and officers.

**145.** The report identified opportunities for further improvement in the council's openness, transparency and how it involves its communities in decision-making and scrutiny, in order to build the trust and confidence of service users and the public. The report concluded that more could be done to ensure a more effective contribution from area committees. The Commission also noted their disquiet with the dysfunctional relationships which persisted between a number of individuals.



**146.** In response to the 2015 report, the council identified 13 actions in its improvement plan, including:

- reducing the number of items taken in private
- reviewing and revising the political management arrangements and scheme of delegation
- refreshing the training on standards and behaviours for members
- taking a more innovative approach to dealing with financial challenges through:
  - developing the Tarbert and Lochgilphead Regeneration Fund, the Rural Resettlement Fund and inward investment funds ([paragraph 57](#))
  - the transformation board ([paragraph 152](#))
  - ongoing monitoring of service choice savings and the impact of these savings
- reviewing the council's relationship with its communities - to build trust and identify better ways of working
- implementing all relevant elements of the Community Empowerment (Scotland) Act 2015
- revising the induction programme and training arrangements for elected members.

**147.** By April 2017, the council had completed nine of the original 13 actions as well as three additional actions that arose from a review of the 2016/17 budget setting process. As the majority of outstanding actions related to community engagement, the council agreed that the plan would continue to be monitored by the community empowerment working group. While the council has delivered some significant changes since 2015, such as improvements in elected members relationships, progress towards meeting future financial challenges since 2015 has been slow. [Exhibit 12 \(page 52\)](#) below shows what we reported in 2015 and what we have found in this audit work. The council needs to make further progress against the recommendations in this report.

## Exhibit 12

### Comparison between the Controller of Audit's judgements in 2015 and 2020

Controller of Audit judgement  2015	Controller of Audit judgement  2020
<p><b>Leadership and strategic direction</b></p> <p>The council is conducting its business more effectively and developing its organisation. Political leadership is stable and growing in confidence. Decision-making and scrutiny are improving. Long-standing political and personal differences remain among a small number of individuals, which are damaging to the council.</p>	<p>The council and its community planning partners have a clear joint vision that its 'economic success is built on a growing population.'</p> <p>There has been a significant improvement in elected member relationships resulting in constructive and more focused decision-making.</p> <p>The changes to the senior management structure have been made in line with the council's vision, and to help support the delivery of the council's corporate outcomes.</p>
<p><b>Service performance</b></p> <p>The council does a number of things well and communities have a generally positive view of local services. But the amount of public criticism that the council attracts has an impact on its reputation among local communities and more widely.</p>	<p>The council has worked hard to improve its reputation. The Rural Resettlement Fund attracted people to relocate to the area and its #ABplace2b resulted in it being the most followed Scottish council on Instagram.</p> <p>Since our last Best Value report in 2015 performance information has been streamlined with the number of delivery outcomes underpinning the six corporate outcomes reduced from 63 service outcomes to 17 business outcomes in 2018/19, with shared ownership across all services. The number of success measures reduced from 331 to 175.</p> <p>National indicators show the pace of improvement has been slower than other Scottish councils.</p>
<p><b>Use of resources</b></p> <p>The council's approach to meeting future financial challenges needs to improve. Options for longer-term savings are heavily based on low-level cuts to individual service budgets, rather than doing things differently.</p>	<p>The council has responded to its challenging budget outlook by creating savings plans and making efficiencies to address the annual budget gap. There has not been significant movement to address the comments made in our 2015 report in this area and the council remains focussed on cost reductions cuts.</p>
<p><b>Partnership working</b></p> <p>This was not within the scope of the 2015 audit. However, the Shared Risk Assessment Process since 2015 did not note any concerns with partnership working.</p>	<p>The council has made good progress with partnership working, works well with its partners and there is a clear structure to support this.</p> <p>The council and its partners need to review the reporting arrangements to monitor progress against outcomes.</p>

Cont.

## Exhibit 12 continued

Controller of Audit judgement	2015	Controller of Audit judgement	2020
<p><b>Community engagement</b></p> <p>The council can operate much more openly as a means of building better relationships and developing greater trust with its communities. It can further improve how it involves local people by building on the local area committees and local community planning arrangements.</p>	<p>Communities demonstrate a resilient and self-sufficient approach to improving communities.</p> <p>Comments from community groups highlight concerns around some of their experiences engaging with the council.</p> <p>The geography and make-up of the various communities within Argyll and Bute makes it more challenging for the council to reconcile the different communities varied needs. Reflecting on community feedback, establishing priorities in how it can better support communities will help the council meet this challenge.</p>		
<p><b>Continuous improvement</b></p> <p>The council has continued to make progress in response to previous Accounts Commission findings. The Senior Management Team (SMT) is actively improving the way it works and the culture within the organisation.</p> <p>The council's strategy, Planning our Future, aims to transform the work of the council however the impact that the proposals will have on strategic priorities is not clear. There is no indication of what sustainable services will look like in the future.</p>	<p>The council has made significant improvements against some of the key findings from our last best value report.</p> <p>The council could do more to drive improvement through its performance management and self-evaluation programme.</p> <p>It also needs to clarify its transformation programme in order to meet its financial challenges.</p>		

Source: Audit Scotland

### The council has an improvement framework in place but progress against the self-evaluation programme has been slow

**148.** The council introduced a corporate improvement strategy in 2015. This outlined plans to improve performance management and benchmarking, improve consultation and customer engagement, and introduce self-assessments. While some progress has been made in some of these areas ([Part 2](#) for performance management, and [Part 4](#) for consultation and customer engagement), the pace has been slow. It is not always clear how performance information and customer engagement are used to drive improvement activity.

**149.** The council introduced an improvement framework in December 2017. This sets out the council's approach to self-evaluation. Progress against the plan has been slow. The plan stated an intention to complete ten self-evaluation exercises per year. At January 2020 only one of the ten teams within the first directorate to undertake self-evaluations (customer services) had completed a self-evaluation and presented it to the Audit and Scrutiny Committee.

**150.** The council introduced its corporate improvement plan in September 2017. The strategic management team reviews this every quarter. Not all actions have dates for completion. At the time of our review, the version on the website was over one year out of date. While the plan focuses on corporate improvements, there is no one space where other improvement activity is captured, for example actions resulting from self-evaluations; actions to address areas of poor performance; and actions identified from customer engagement and external scrutiny reports.

**151.** The council is a member of several national groups that share good practice and lessons learned. It also regularly reports on performance and national benchmarking data ([Part 2](#)). However, the council has not clearly articulated how performance and benchmarking data has or will inform its improvement activities.


### **The council's transformation programme has achieved small-scale savings but there is limited evidence of transformational service redesign**

**152.** In 2017 the council established a transformation board to increase the pace and scale of transformation. The short to medium-term focus of the board was to challenge services to deliver front line savings via four operating principles:

- business cost reduction
- income maximisation
- service redesign
- self-funding.

**153.** The transformation board is chaired by an executive director. The board meets every quarter and considers detailed business cases and options appraisals for each project. Progress reports are presented to the board alongside risk registers.

**154.** Every council department and trade union are represented on the transformation board. After proposals have been approved by the strategic management team, they are discussed with senior elected members and policy leads, before being presented at a council committee. Examples of initiatives resulting from, and monitored by the transformation board include:

- Digital transformation ([Case study 3, page 56](#))
- Rationalisation of offices and of face to face services
- One Council property approach. The council aims to improve estate management through the sale or lease of surplus property. In April 2017 all council properties were brought under the control of one department
- Review of loans and fees charges
- Sustainable education as part of the **Northern Alliance** . This involves looking at remote learning opportunities and shared headships.



**The Northern Alliance** is a collaboration between eight northern councils, which aims to improve education services across the north of Scotland.

- Catering and cleaning innovation projects. The council has started to work with the schools and the HSCP to identify areas where savings can be made, and income can be generated. In April 2019 the total potential savings from all options were estimated to be £777,000 per year.

**155.** The total amount of savings or income generated through these initiatives to date is unclear. While a number of efficiency-saving and income generation plans are in place, progress has been slow. The impact of completed projects has been small-scale and within individual services. Examples of achievements to date include the following:

- Increasing food sales in secondary schools through improved catering facilities raised £77,400 in 2017/18, exceeding the £52,400 target
- In January 2018 an events manager was appointed to promote the newly refurbished Helensburgh and Lomond Civic Centre as a venue. The centre has hosted a number of public and private events. Between January 2018 and April 2019 events at the centre have generated additional income of £40,000. The target is to generate a total income of £90,000 in 2021/22.

**156.** There is little evidence of any plans for fundamental large-scale transformational service redesign. The location of the council area limits opportunities to adopt some of the larger scale transformational changes being adopted by other councils in Scotland. For example, the council have considered becoming a commercial landlord, but property values in some areas are too low to support a business case to do so.

### **The transformation board is now focusing on commercialisation to realise its vision of economic success**

**157.** In March 2019 the transformation board considered a report from the Association for Public Service Excellence (APSE) on risk and commercialisation. It recommended a strategic approach to commercialisation that goes beyond piecemeal investments and service revisions, as well as early engagement with elected members to ensure their buy-in and oversight. The transformation board plan to assess the council against the guidance, to ensure that its governance and scrutiny systems for commercial activity are appropriate.

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## Case study 3



### **The council was an early adopter of digital technology and is now working on embedding digital skills across the council**

Digital technology has been key in overcoming the geographical challenges faced by the council. The council has developed its Information and Communication Technology (ICT) and Digital Strategy 2017-20 that identifies actions against eight programmes. Over the last decade the council has been an early adopter of technological solutions to reach out to remote communities and make council meetings more accessible. Some examples of this include voice automated services, Skype and Keep in the Loop (a sign-up service for email or mobile phone alerts).

The council has developed good practice in customer service and scores highly in independent ICT Customer Satisfaction Surveys (SOCITM). In November 2018, the council was one of the first of the 19 Scottish councils who have undertaken a digital maturity assessment with the Scottish Government's Digital Office. Argyll and Bute Council was scored as being on the second step of the five-point scale of digital maturity: Open - Developing and Repeatable. The assessment found that a digital culture and skills are not as well embedded as they need to be for successful digital transformation. The key barriers were insufficient dedicated resource and time. The Digital Office recommended that the council adopt a holistic approach to digital transformation and ensure that existing staff develop appropriate digital skills to allow them to operate in an increasingly complex landscape of digital systems and new ways of working.

In January 2019, to address the recommendations made by the Digital Office, the council published its digital transformation plan for 2019/20. This focused on rolling out digital technology and developing digital skills for all council employees. As not all tasks had clear outcomes or timelines, it is not clear whether work is on track overall. However, as of November 2019, the council had made progress against some of the technology-based developments. Examples of these include implementing a mobile working solution for HSCP employees and an automated system to update customers with bin collection issues.


A digital skills audit is being carried out early in 2020 to support the council's work to develop digital skills across the organisation.

It is essential the council drives partnership working to improve broadband and connectivity, making sure that technology is robust and fit for purpose. In line with its 2016 Assisted Digital Strategy, the council should take steps to ensure the changes it introduces as part of digital transformation continue to work to include communities with no broadband or mobile connectivity.

Source: Audit Scotland using information provided by Argyll and Bute Council

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**158.** In July 2019, as part of the council's corporate restructure, the council established a new **commercial services team**  which has taken responsibility for a number of transformation projects. Alongside the Rural Growth Deal ([paragraph 135](#)) commercialisation will play a central role in the council's progress towards its vision. The council is due to publish its commercial strategy in 2020.

**159.** The commercial services team have clearly articulated their plans to foster a culture of commercial awareness across the whole council. While this is a positive approach, it is too early to conclude what impact it will have. The council should continue to ensure it is aware of the wider potential risks associated with focusing on commercial services. For example, there is a perception in some community groups that LiveArgyll hosting cultural events in their area restricts their ability to fundraise (which is traditionally done by selling tickets to community-led cultural events).



The commercial services team has responsibility for a range of services including estates, property development, catering, cleaning, facility management, capital projects, partnerships, shared services and energy efficiency.

# Recommendations



On the basis of the work we have completed we make the following recommendations to the council to address the improvement areas identified in this report:

develop the transformation agenda supported by a medium-term savings plan which is affordable and achievable ([paragraphs 71–77](#))

improve performance management reporting to provide a balanced picture of long-term trends in performance against its targets ([paragraphs 27–33](#)). Use benchmarking information to drive continuous improvement ([paragraphs 29 and 151](#))

increase the pace of change through transformation to deliver the business outcomes and this should be monitored and reported on a regular basis ([paragraphs 152–156](#))

assess the extent to which regeneration and economic development initiatives are delivering the vision and corporate outcomes ([paragraph 59](#)). Put in place robust options appraisal processes and a benefits monitoring framework, proportional to the size of initiatives, to evaluate the benefits and costs of future projects ([paragraphs 78–84](#))

work with communities and community groups to understand and address their concerns and establish priorities in how it can better support them ([paragraphs 130–131](#)). This should include engaging with communities to understand and improve levels of satisfaction with council services ([paragraphs 49–52](#))



work with elected members to improve the uptake of training provided ([paragraphs 25–26](#)). In particular, elected members' knowledge of and involvement in the performance management process needs to be improved to develop wider scrutiny to support improvement ([paragraph 31](#))

improve engagement to ensure staff are bought into the council's vision. Review the support and resources it provides to staff in rural areas to ensure that all employees have appropriate access to training to support them in their role ([paragraphs 99–100](#)).

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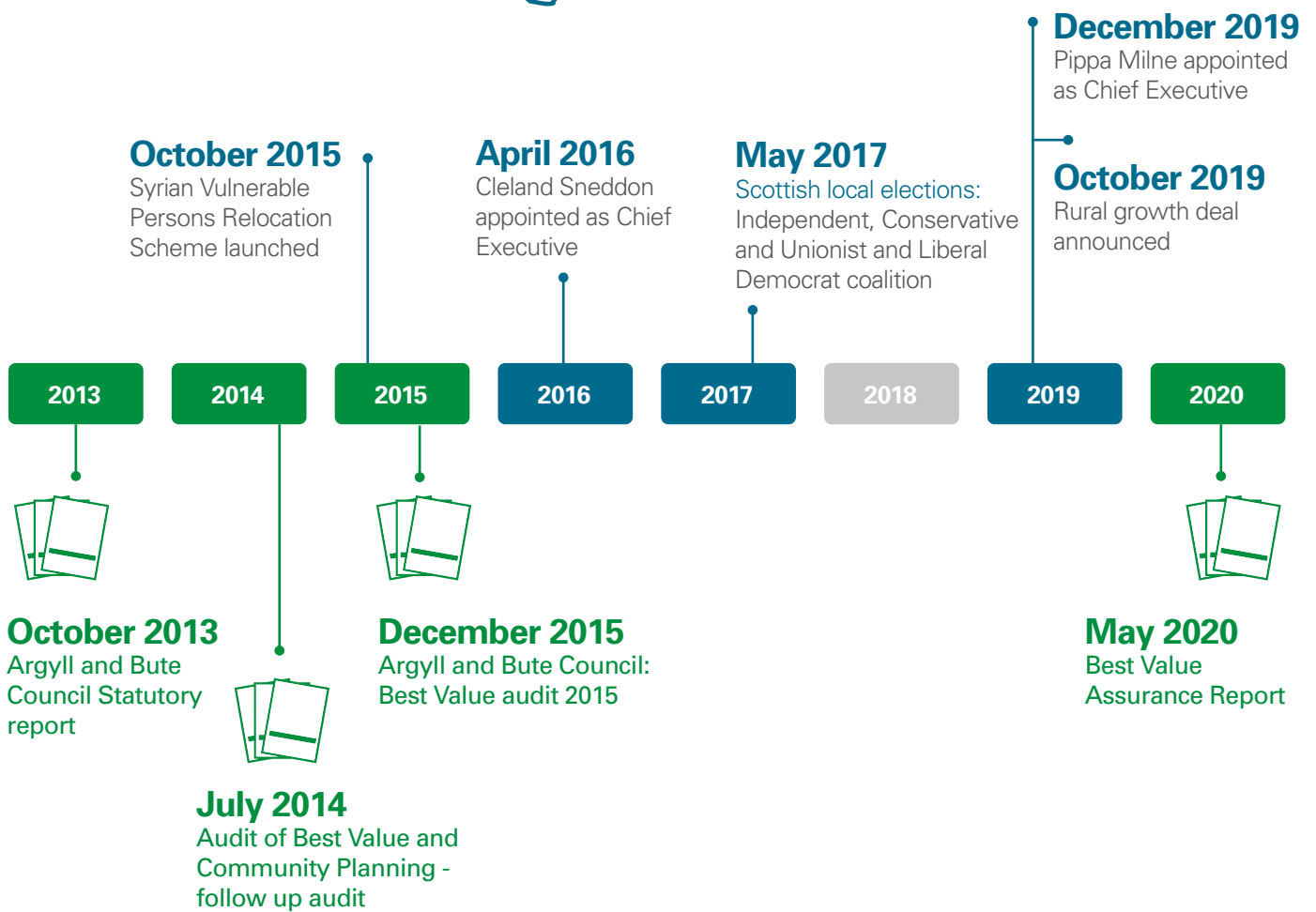
# Endnotes



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- 1 Community Planning Outcome Profile, Improvement Service, CPOP. See the Improvement Service's website for definitions.
  - 2 *Scottish Government - Scottish Surveys Core Questions* (SSCQ). Wellbeing is based on the average score on the short version of the Warwick-Edinburgh Mental Wellbeing Scale among adults aged 16 years and over.
  - 3 The index is calculated by the Improvement Service using population estimates from National Records of Scotland. It is a combined index of three indicators: depopulation - the inverse of population change, Old Age Dependency Ratio - the ratio of older people (65 and over) to the working age population (16 to 64), and rural depopulation - the change in the proportion of the population living in rural or rural remote areas. A rising index indicates an increasingly fragile demographic.
  - 4 In November 2018 the Auditor General for Scotland and the Accounts Commission published [\*Health and social care integration: update on progress report\*](#) . We reported that Integration Authorities are operating in an extremely challenging environment and there is much more to be done to increase the pace of health and social care integration. We reference senior staff turnover in key message 3.
  - 5 In the Accounts Commission's [\*Local Government in Scotland Financial Overview 2018/19\*](#) , published in December 2019. Part 4 of the report focuses on IJB and we highlight the issue of senior staff turnover.


# Appendix

## Best Value audit timeline




# Best Value Assurance Report Argyll and Bute Council

This report is available in PDF and RTF formats at:  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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