

Argyll and Bute Council

Best Value Audit 2015

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit
December 2015

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Introduction

1. This is my third Controller of Audit report on Argyll and Bute Council in the last 26 months. In October 2013 the Accounts Commission noted my serious concerns about substantial risks to the council caused by the instability of its political leadership since the 2012 election. It also expressed concerns about:
 - the leadership of the council being inadequate
 - political management arrangements not being fit for purpose
 - councillors needing to achieve a more effective balance between focusing on local issues and priorities, and the council's longer-term strategic objectives
 - the role of monitoring officer needing to be afforded trust and respect
 - councillors and officers needing to work together better.
2. Due to these concerns, the Commission asked me to carry out a follow-up audit, and I reported my findings from this work in July 2014. At that time, the Commission was encouraged by the council's progress in responding to its previous concerns. But the Commission also recognised that it was too early to assess the full effectiveness of many of the changes made and that the council still had improvements to make.
3. The Commission requested a further report on progress by the end of 2015. In responding to that request, the audit looked at:
 - the extent to which the council's political management arrangements support effective decision-making
 - the effectiveness of the council's scrutiny arrangements
 - whether roles and relationships, including those between members and officers, enable council business to proceed effectively.
4. In considering these issues, the audit also looked at the council's capacity to meet the challenges facing all councils. An example of these is the need to make significant budget reductions in the face of increasing demand for important and often costly services such as social care.
5. My conclusions are based on detailed audit work carried out between June and September 2015, which included the following:
 - Observing council and committee meetings, including area committees and area committee business days.
 - Observing members' seminars and a scrutiny development day.

- Interviewing all 36 elected members, the lay members of council committees, the MSP for the Argyll and Bute constituency ¹ and a range of senior officers and partners.
 - Carrying out five focus groups with community representatives from across the council's four administrative areas (that is, Bute and Cowal; Helensburgh and Lomond; Mid Argyll, Kintyre and Islands; and Oban, Lorn and the Isles). These focus groups were attended by 45 community group representatives.
6. The audit work also took into account the ongoing work of the council's local external auditors. This is summarised in the annual audit reports for the council submitted to me in October 2013, October 2014 and September 2015.
 7. The external auditor also carried out two specific investigations in response to correspondence I received about Argyll and Bute Council. The conclusions on the first, about proposals to sell the Castle Toward estate, are outlined in the external auditor's Annual Audit Report in September 2015. The second investigation was into the commissioning process that the council used, on behalf of Argyll and Bute's Alcohol and Drugs Partnership (ADP), for community-based addiction recovery services. The conclusions on this investigation were reported to the council in May 2015, and considered by the council's Audit Committee in June 2015. Both reports are available on the Audit Scotland website www.audit-scotland.gov.uk
 8. The audit also took account of information received from the Care Inspectorate, which carried out a joint inspection of services for older people in Argyll and Bute during 2015. The Care Inspectorate's report will be published early in 2016 and will be available at www.careinspectorate.com
 9. I gratefully acknowledge the cooperation and assistance provided to the audit team by the Leader of the Council, Councillor Dick Walsh, the Chief Executive, Sally Loudon, all other councillors, officers, stakeholders and partner organisation representatives. In particular, I would like to thank all the community organisation representatives who participated in the focus groups, enthusiastically explaining their views and sharing their experiences.

¹ Argyll and Bute Council spans two Scottish parliamentary constituencies: Argyll and Bute and Dumbarton. We extended invitations to both constituency MSPs, the 14 regional MSPs covering Highlands and Islands and West Scotland and the local MP to meet with auditors during the process.

Summary

10. The council has continued to make progress in response to previous Accounts Commission findings. It has focused on improving political and managerial leadership. New committee arrangements are improving decision-making and scrutiny. The senior management team is actively improving the way it works and the culture within the organisation. It will take time and commitment to achieve real and lasting improvements in culture, behaviour and understanding, but Argyll and Bute is a significantly different council now than it was when we reported in 2013, with a consequent reduction in risk.
11. The stability of the council's political leadership that we reported in July 2014 has been sustained and confidence amongst elected members is growing. This has allowed the council to conduct its business more effectively and develop its organisation. The Administration and the main opposition group have established a working relationship, although this will face the stresses and strains that will apply in many councils over the next 18 months.
12. Despite considerable member development activity, and improved relationships between most councillors, long-standing political and personal differences remain amongst a small number of key individuals in Argyll and Bute. These differences are played out in a very public way and are damaging the council's image and reputation, with implications for relations with local communities. The nature of these relationships makes it difficult to judge the rights and wrongs of the situation, but we do not see much prospect of them improving in the short term. Whatever the merits of the individual views and motivations of those involved, the discord must be resolved in the best interests of the people of Argyll and Bute.
13. 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. 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.
14. The council's approach to meeting future financial challenges needs to improve. It has agreed a strategy, "Planning our Future", which aims to transform the work of the council to invest in the future and support communities by protecting jobs and preserving the most important services. However, in a public consultation currently underway, options for longer term savings are heavily based on low-level cuts to individual service budgets and involve reducing or stopping services, rather than doing things differently. Links to Planning our Future are not clear, nor is the impact that the proposals will have on strategic priorities. There is no indication of what sustainable services will look like in the future.
15. We have identified improvements that the council can work on in areas such as its culture, how it works with communities, and how it responds to the challenges it faces.

Audit Assessment

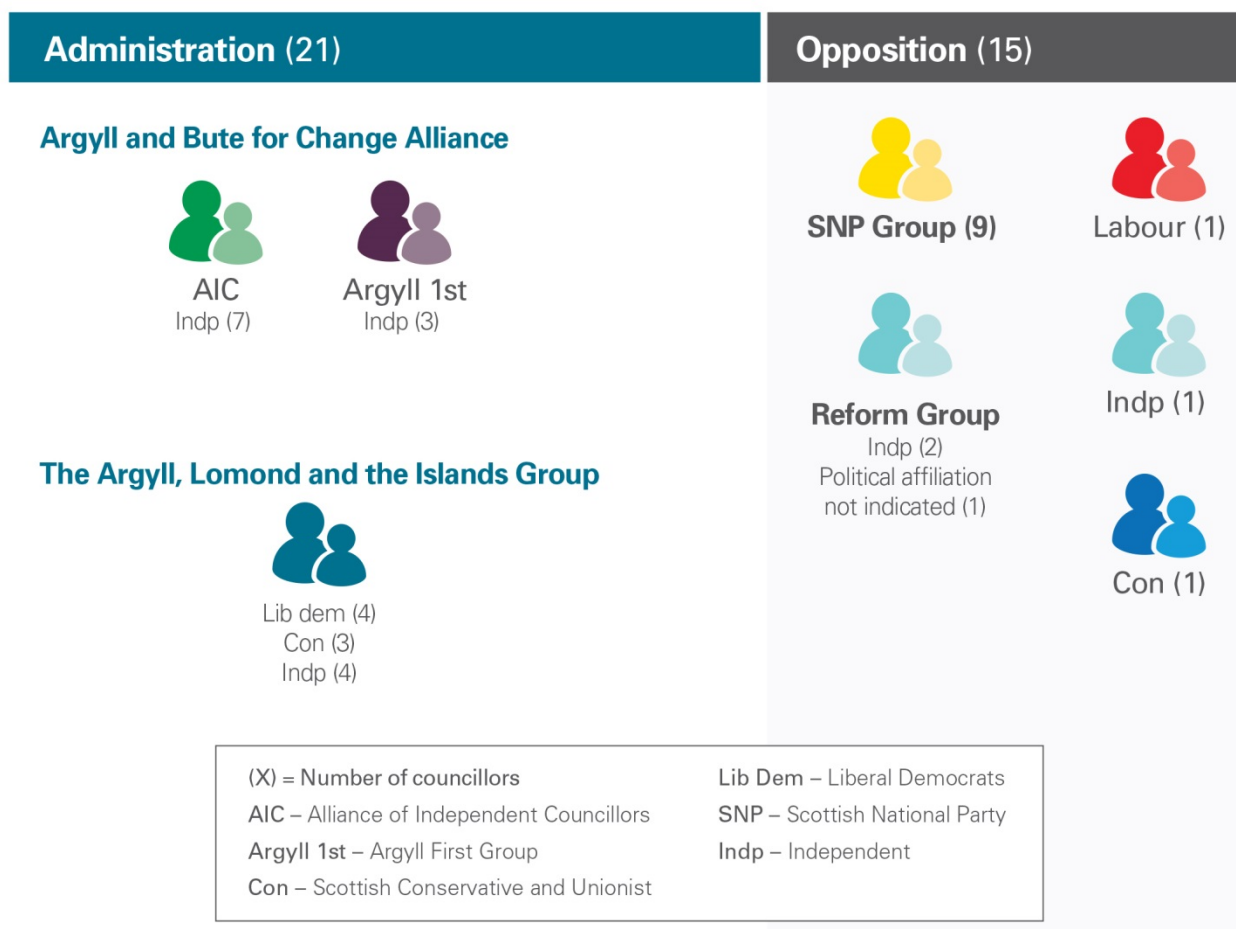
Context

16. The characteristics and diversity of Argyll and Bute present its council with significant challenges and opportunities. It is Scotland's second largest local authority in terms of the area it covers, but has a relatively small population of just less than 90,000. 97 per cent of people in Argyll and Bute live in areas classified as either "rural" or "remote rural", located in six main towns and many other small communities, including 23 inhabited islands. The infrastructure connecting these communities includes 1,617 miles of roads, several ports, harbours and rural airports.
17. The council operates across four administrative areas: Bute and Cowal; Helensburgh and Lomond; Mid Argyll, Kintyre and Islands; and Oban, Lorn and the Isles. Each has an area committee that meets approximately every two months.
18. Argyll and Bute is one of only four council areas in Scotland where the population is declining and projections suggest a further fall of around 10,000 during the next 20 years. This has implications for areas such as housing demand and places available in its 83 schools. In contrast, the proportion of older people in Argyll and Bute is already above the national average and the proportion of older people in comparison to people of working age is expected to increase significantly. This puts increasing pressure on local services, particularly health and social care.
19. Argyll and Bute Council has 36 elected members as shown in [Exhibit 1](#). Since our last report in July 2014, the Administration has reduced by six members. In October 2015, three of these members established the Reform Group.
20. The council spends around £240 million in providing local services each year. Like all councils, Argyll and Bute faces reduced spending. It estimates that it will have to save between £21.7 million and £26.0 million over the next five years.
21. The council agreed key corporate outcomes in January 2015:
 - Making Argyll and Bute a place people choose to live.
 - Making Argyll and Bute a place people choose to learn.
 - Making Argyll and Bute a place people choose to work and do business.
22. The outcomes are reflected in a corporate plan and a set of strategic priorities. Department service plans show how the council will deliver on its corporate objectives including those in its Single Outcome Agreement (SOA)².

² Single Outcome Agreements set out how local councils and their community planning partners will deliver outcomes such as making communities safer, improving people's health and reducing poverty.

Exhibit 1

Political make-up in Argyll and Bute Council (December 2015)



Source: Audit Scotland

Progress against improvement actions

The council has continued to make progress on improvement actions in response to the Accounts Commission findings in 2013

23. The council has been working hard to deliver its action plan in response to the issues highlighted in audit reports and Accounts Commission findings in 2013 and 2014. The plan has 43 areas for improvement including:
 - changing political management arrangements
 - clarifying roles and relationships
 - better scrutiny
 - initiatives in leadership, management and staff development.
24. In its most recent progress update in August 2015, the council reported that 34 of its 43 specific actions were complete, with seven ongoing and two scheduled for completion in

December 2015. In an earlier review of its plan, in November 2014, the council considered the impact of its improvement actions. It concluded there was improvement in member behaviour, with fewer issues being raised and dealt with by officers. It also concluded that council meetings were more business-like, mainly as a result of new committee structures, committee development days and committee work plans. This is consistent with what we found during our audit work.

25. The council's Senior Management Team (SMT) also has an action plan in place that includes clear priorities and targets for:
- improving the council's organisation
 - developing its staff
 - promoting Argyll and Bute
 - delivering the SOA
 - supporting elected members
 - community engagement.
26. The SMT is increasingly outwardly focused. It seeks advice and support from a wide range of external sources for its development work. Members of the SMT have visited other councils, other public bodies and organisations in the private sector to learn and share intelligence. This includes, for example, holding joint management team meetings with Highlands and Islands Enterprise and the Scottish Council for Development and Industry (SCDI). There are plans to extend this to other organisations such as BT. The SMT is also seeking to improve its individual and collective management capacity through mentoring, coaching and performance appraisal.
27. Wider organisational improvements include:
- Efforts to build future management skills through a leadership development programme for all Chief Officers. This approach also includes the Argyll and Bute manager programme, targeted at third tier managers and other potential future leaders
 - Work to improve both internal and external communications, including a communications audit by external consultants that will help the council develop a new communications strategy by the end of 2015
 - Work to improve employee engagement, which has included:
 - A staff survey, which found general improvements from previous surveys, but with staff saying they wanted more information on decisions affecting their services and to be involved earlier in change processes.
 - A stress audit, staff focus groups and a series of events held in six locations across the authority led by the SMT.
 - Trades Unions and the SMT working together to create an employee engagement strategy.

28. Arrangements for elected members' development, which the council put in place after the 2013 audit report, continue. These include seminars for councillors across a wide range of topics, often including external input. Attendance at seminars varies significantly, but on average less than half of all members regularly attend. The worst attended seminars were those on the topics of social media and defamation, procurement, equalities, and delivering the SOA. In contrast, the best attended were:
- a workshop on the council's action plan in response to our 2013 statutory report
 - seminars on reshaping older people's services
 - events associated with Service Choices, which is the council's programme to achieve significant spending reductions it estimates are needed by 2020/21.
29. We said in our last report that councillors needed to recognise the importance of attending seminars and training sessions. The council now organises targeted development sessions before committee meetings. This has improved attendance for members on the relevant committees, and councillors are more positive about the timing and value of these sessions. While members who cannot attend seminars or training sessions can access all training materials through their electronic hub, the council should continue to explore all options for providing member training and development in a way that is most accessible and has greatest impact.
30. Three-quarters of elected members now have a personal development plan. The remainder have an officer contact to discuss continuing development needs and access to mentoring, coaching and similar support. Councillors will increasingly need support to carry out their role in an increasingly complex environment, for example, leading the process of health and social care integration successfully. They will also need support to manage potential conflicts of interest between their role in representing individual local communities, and their role as members of the Integrated Joint Board (IJB).
31. Many of the improvement outcomes in the 2013 improvement plan relate to culture, behaviours and developments in understanding of roles, responsibilities and procedures. While behaviours have improved significantly in the council since we reported in 2013, there are still some problems evident and achieving real and lasting improvement in culture, behaviour and understanding will only occur over time. The council's reputation amongst its communities is also important. Feedback from our focus groups with community representatives indicates a perception that the culture of the council still needs to improve.

Most participants' responses about the worst things about the council related to the organisational culture of the council, its governance and its senior officers and elected members. For example, they talked about there being a defensive 'bunker' mentality, and the need for more transparency, more openness to new ideas, more customer/community focus and a more dynamic council overall.

Audit Scotland Focus Groups, July–August 2015

32. In a number of these areas in its improvement plan, the council has assessed actions as being “complete”, usually due to an event taking place or the production of a protocol or plan. It is the impact of these actions that is most important, and the council should continue to monitor these key issues, and take action that will enable it to make further progress. The council has work underway to improve the culture of the organisation. For example, it has established a corporate working group on culture and the Improvement Service is working on issues of culture with policy leads and the SNP group.

Relationships

33. The Accounts Commission has highlighted the importance of councillors and officers working together to lead and manage their councils to provide services that improve the lives of local people³. Trust, confidence and good conduct between councillors, and between councillors and officers, are essential for building and maintaining good relationships, and supporting good leadership, management and performance.
34. The Commission recognises that politics is an integral and important feature of local government. Disagreements and debates are a crucial part of a vibrant local democracy. However, in better performing councils, members are able to identify when to set aside and manage political differences. By doing so, they work constructively towards achieving the objectives of the council as a whole and improve outcomes for the community as a whole.
35. In October 2013, we reported that there was no cohesive strategic leadership from elected members in Argyll and Bute. The Commission expressed serious concerns that increasing political instability and the lack of positive working relationships were inhibiting strategic direction and risked damaging the council's services and the area's reputation.
36. In our report in July 2014, we described the leadership and political dynamics at the council as stable, but added that the situation remained fragile. There was a risk that the tough decisions the council would need to make would prove challenging to effective political management and on-going stability.

Continued stability in political leadership has helped the council conduct its business more effectively but working relationships between groups will come under increasing pressure

37. We recognise that the political dynamics in Argyll and Bute would offer challenges in any council area. Achieving stability in political leadership following our 2013 report was the first step in the council functioning with a degree of normality and there was evidence of this in 2014. The political situation in Argyll and Bute is significantly different now, compared with when we reported two years ago, with a consequent reduction in risk. We interviewed all 36 elected members during our 2015 audit, and most said that they felt members and officers are

³ [How councils work: an improvement series for councillors and officers - Roles and working relationships: are you getting it right?](#) Accounts Commission, August 2010

working effectively together. Officers also said that relationships with members are more productive than in 2013, although in a small number of cases they remain strained.

38. Members also feel that they are acting together in an increasingly mature and constructive manner and as a result, the council is managing its business more effectively. Our observations of committees and other business meetings support this. Similarly, when the Care Inspectorate spoke to staff and elected members during its joint inspection of older people's services,⁴ they were told that political instability had in the past adversely affected decision-making on health and social integration, but that this has improved.
39. The Administration in control at the council has reduced from 27 to 21 members since our last report in 2014, although this still provides a working majority of six members. There is a constructive working relationship between the Administration group's political leadership and that of the main Opposition group, again in stark contrast to 2013. This was evident in the way the groups worked together for most of 2015 on the council's approach to addressing the future financial challenges it faces.
40. As in other councils, relationships between political groups are under increased pressure from the need to take tough decisions on future spending and how best to deliver services. This is particularly so during an 18-month period that includes both Scottish parliamentary and local government elections. Evidence of this emerged in October 2015 when, following discussions on savings options at the Policy and Resources Committee, members of the main Opposition group resigned from the Service Choices project board⁵. Two members of the Argyll First group also resigned from the Administration around this time. While this makes working together more difficult on some issues, there are still constructive relations between the main political groups in Argyll and Bute, and at this stage there is no evidence that these events will fundamentally disrupt the current stability in place at the council.
41. There have been complaints and allegations of breaches of the Councillors' Code of Conduct made against elected members of Argyll and Bute Council. The Commissioner for Ethical Standards in Public Life is responsible for investigating these.
 - During 2013/14 the Commissioner received two cases. Both were submitted by a member of the public, and after investigation, both were not upheld.
 - During 2014/15 the Commissioner received nine cases, some of which alleged a breach of the Code against multiple elected members. Eight of these cases were not upheld and at the time of writing, one case is still under investigation. Five of the eight cases completed were submitted by members of the public or anonymously and three by a councillor or MSP.
 - During the current year (2015/16) the Commissioner has received four cases to date, some of which alleged a breach of the Code against multiple elected members. One case was not upheld and at the time of writing three cases are still under investigation. The

⁴ The Care Inspectorate's report from its joint inspection of older people's services is due for publication in early 2016.

⁵ Service Choices is a key element in the council's approach to addressing future financial challenges.

Commissioner is obliged to maintain confidentiality where cases are still under investigation, so information on the source of complaint is not available in these cases.

Poor relationships continue between some individuals and show no signs of improving in the short term

42. Alongside the clear improvement in relationships at the council since 2013, some difficulties remain. In our 2014 report, we identified tensions that reflected a residual mistrust and a degree of disquiet with the changes being put in place in the council. These continue, but on a much smaller scale. They appear to be rooted in political differences, but have become increasingly personal in nature and increasingly public.
43. While the number of individuals concerned is small, their differences generate considerable argument and debate. While this does not prevent the council conducting its business or delivering its objectives in the way that the problems in 2013 did, it is still disruptive. The relationship problems are played out through correspondence and complaints, and increasingly externally through mainstream and social media, rather than internally through the council's political management arrangements. Contentious issues are made more so as a result of the discord and relatively minor issues can become the subject of intense debate and argument.
44. In previous findings on the council, the Commission underlined the importance of members trusting and respecting the Monitoring Officer; and having confidence in the information a Monitoring Officer provides in enabling them to make considered decisions. Most members behave in a manner that is consistent with these standards, but difficulties of the type we reported on in 2013 remain, although these are limited to a small number of cases.
45. There is evidence that many members are satisfied with the support they receive from the staff that support them in conducting their business. Despite this and the range of member development activities that have taken place, a small number of councillors level regular criticism and complaints at how some senior officers respond to questions and requests for information. This is directed in particular at the Chief Executive, Monitoring Officer and others charged with advising on the proper procedures for council business. In the audit interviews we held with elected members, comments made by some of the councillors indicate that they perceive members of the council's senior management team to be too close to the political process and Administration members.
46. We have observed that the tone and style of communication used by officers can at times be defensive and focused on procedures and technicalities. While it is important that rules and proper procedures are adhered to and respected, responses that focus too heavily on these matters can fuel a perception that officers are being unfair, unhelpful or lack openness, which results in frustration and further criticism. As indicated earlier, a significant number of the community representatives we spoke to also expressed the view that the council had a defensive and closed style. It is important that the council addresses the negative image it has amongst sections of its community.

47. The MSP for the constituency of Argyll and Bute is a very active local politician and feels strongly about his constituents' interests. He has been regularly and strongly critical of the council's leadership and senior management. Again, this is played out in a very public way. Politics will always be part of local government, and it is common for national politicians to get involved locally on behalf of their constituents. But the situation in Argyll and Bute has reached the stage where relationships appear to have all but broken down. This does not reflect the constructive working relationships we would normally see in other areas, that can result in benefits for local communities.
48. While senior managers believe that their responses in dealing with complaints and criticisms are polite and correct, the local SNP parliamentarians feel that the council's responses are obstructive and lack transparency. Both the SMT and the council's political leadership feel they have tried to be more conciliatory towards their critics and they say they remain willing to work together to improve relationships. At a political level, the council's leadership and local SNP parliamentarians recently met to discuss the financial challenges facing the council and its responses. In late November, the constituency MSP took part in a council press conference about the arrival of refugees in Rothesay. Despite each side describing these steps as constructive or positive, we do not believe that in themselves they indicate the difficult relationships will improve in the near future.
49. In our view, except for the relationship difficulties and resultant discord among a small number of individuals, Argyll and Bute is broadly similar to many other councils. In terms of Best Value, it has some strengths and some weaknesses and areas it needs to improve. The nature of the relationship difficulties makes it difficult to judge the rights and wrongs of the situation. Irrespective of the small number of people involved, and the merits of their individual views and motivations, the discord needs to be resolved. Difficult as it may be, it is in the best interests of the people of Argyll and Bute to do so. It expends energy that could be better used elsewhere. It also damages the council's reputation, both locally and beyond and makes it harder to pursue its main strategic objective of developing the area's economic prospects and enabling its population to grow.

How well placed is the council to meet future challenges

50. The council now has a more effective system for linking strategic priorities, corporate plans and service plans, and the SOA. Members have a clearer understanding of the importance of the SOA and the need to make decisions based on strategic priorities.
51. For example:
- Following a local economic summit in October 2014, the council set up an Economic Forum to drive forward economic progress in the area. The forum, which first met in March 2015, is business-led. In addition to council representatives, it includes people from local businesses, Scottish Government officials, staff from enterprise agencies, academics and voluntary sector representatives. The forum is designed to ensure that the public, private and voluntary sectors work collaboratively towards common goals. Similar approaches have worked well in recent years in both rural areas and cities. Its

initial areas for action are tourism, food production, and linking learning and local employment opportunities to make Argyll and Bute a destination of choice for young people.

- As part of its wider focus on economic development and job creation the council has invested more than £30 million through the 'CHORD' programme for the regeneration of five waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon. It is also promoting greater economic development in the area by expanding its Economic Development and Strategic Transportation service with an additional seven new staff at a cost of over £330,000.

52. Communities in Argyll and Bute have a generally positive view of local services. Focus group participants spoke about leisure facilities, road clearing and regeneration projects as things the council did well. Highlights from the Local Government Benchmarking Framework (LGBF) for 2013/14 show that compared with other councils, Argyll and Bute:
 - has higher than average user satisfaction with schools, adult social care, refuse collection and street cleaning
 - provides home care to the highest proportion of older people with intensive needs
 - helps the highest proportion of unemployed people into work through its funded employability programmes.
53. Sickness absence amongst employees is around the national average. But absence levels have increased in each of the last four years, at a time when sickness absence has been decreasing across local government nationally.
54. The most recent Shared Risk Assessment (SRA) for the council⁶, performed by local government scrutiny bodies, noted a generally positive picture in education services. However, the rate of improvement is behind the national average and comparative councils for positive destinations for school leavers. Examples of positive destinations are higher or further education, employment, training and voluntary work. The SRA found that outcomes from children's social work services were broadly in line with the national average. Outcomes data also shows a positive balance of care - where a higher proportion of older people are being cared for at home or in a homely setting in the community, rather than in a hospital setting. Outcomes data for children's social work services is broadly in line with the national average, and balance of care data for older people is positive overall.
55. During 2014/15, the Scottish Public Services Ombudsman (SPSO) received 32 complaints about the council and its services, representing 1.7 percent of complaints across all Scottish councils. It upheld or partially upheld five complaints, which is broadly in line with the average proportion across Scotland.

⁶ As reported in the Local Area Network's (LAN's) [Local Scrutiny Plan 2015/16](#) for Argyll and Bute Council

New committee arrangements are improving decision-making and scrutiny

56. Following the Commission's criticisms in 2013, the council agreed its current political management arrangements in January 2014. The principal changes were to introduce three new strategic committees: a Policy and Resources Committee, a Community Services Committee and an Environment, Development and Infrastructure Committee. Those arrangements included an increased remit for the council's existing four area committees. In July 2014, we reported that the changes provided a foundation for improved governance, but that it was too early to assess their impact.
57. Evidence from our audit work in 2015 is that the majority of members are positive about the political management arrangements. Based on our interviews, almost two-thirds feel the current arrangements either work well or are stronger than they were. Councillors feel the committee arrangements provide more focused and informed decision-making and are more politically balanced. They feel that standing orders allow any councillors, even those not on the committee, an opportunity to speak on a ward issue. Some councillors also feel that the committee structure improves scrutiny of council business compared with the previous arrangement of everything going through full council.
58. In contrast, seven councillors feel that political management arrangements are not working effectively. The main issues they state include strategic committees being too remote from the public, and decisions having been taken away from the full council.
59. Senior officers view the committee structure positively, commenting that committees now have fuller discussions and debates are more meaningful. They say there is more stability in how the council conducts business. Officers also speak positively of elected member policy leads. The policy leads arrangement provides clearer political direction from councillors who have developed their understanding and knowledge around specific issues.
60. From our observations of the strategic committees, it is clear that the structure helps the council to conduct business more effectively. The arrangements for committees continue to evolve and improve. For example:
 - In June 2015, councillor membership on committees was reviewed to allow greater representation from those not in political groupings. Nominations were invited from the three non-aligned members at that time, to fill vacancies on three committees - Planning, Protective Services and Licensing (PPSL), Environment, Development Infrastructure, and the Licensing Board. This helped address some members' concerns. Committee membership will benefit from periodic review to reflect changing circumstances.
 - The council is reviewing the interaction between the Audit Committee and Performance Review and Scrutiny Committee (PRS). As part of a wider review of the constitution, it aims to establish a protocol for forwarding and coordinating reports between the two committees by April 2016.
61. On scrutiny, various aspects of the political management arrangements reflect good practice. For example, both the chair and vice-chair of the Audit Committee are independent lay members. The chair of the Performance Review and Scrutiny Committee is also an

independent lay member and, in September 2015, the council agreed to appoint the leader of the main opposition group as vice-chair.

62. Our audit report in July 2014 highlighted that poor member attendance at the Audit Committee and the PRS Committee limited the effectiveness of scrutiny and wider governance and accountability at the council. While attendance at both committees has improved, scope for further improvement remains. The Audit Committee has seven members, five of whom are councillors. Since March 2014, attendance has included four or five councillors, an improvement on March 2013 when only one attended. The Performance Review and Scrutiny (PRS) Committee consists of 11 members, seven of whom are councillors, made up of four from the opposition and three from the Administration. Three members are from the Community Planning Partnership and the chair is independent. Since November 2014, attendance has improved with between four and six councillors attending regularly.
63. There have been other positive changes in the way that these committees conduct their business. For example:
 - The Audit Committee now holds regular development days and in March 2015 it held an effectiveness session. This looked at its strengths, weaknesses and gaps in relation to skills and experience. It also considered how effectively the committee reviewed business, maintained objectivity, and how the committee's work could be of most benefit. As a result, the committee agreed action points and added these to its Committee Development Plan, which it continually updates.
 - The PRS Committee held a development day in August 2014, facilitated by the Chartered Institute of Public Finance and Accountancy (CIPFA). The committee agreed action points and is taking these forward in its future work plan. These include:
 - considering the role of vice-chair
 - rationalising performance reporting and increasing its focus on scrutiny
 - preparing a scrutiny work plan that is coordinated with the Audit Committee work plan
 - preparing a committee training and development plan to include training on scrutiny of police and fire services.
64. The committee held further development days in October 2014 on effective questioning, and a scrutiny development day in August 2015. Both were facilitated by external providers who also contributed to further improvement actions.
65. The external auditor's 2014/15 Annual Audit Report on the council (September 2015) highlights that operational governance arrangements are generally sound, with key financial controls operating effectively. The council is working on required improvements in procedures for managing and disposing of assets, and the external auditor will examine these as part of their 2015/16 audit.

The council can improve how it involves local people in its work

66. The council has been developing its approach to community capacity building: activities that strengthen local people's skills, abilities and confidence to develop their own communities. The council employs four community development officers, one in each of the council's four administrative areas. Their role is to support community groups and work with them locally. Examples of this work include helping community groups with advice and expertise in taking on specialist help and identifying alternative sources of funding. The council has worked with partners to deliver community events on the SOA, and is building relations with young people through its youth forums.
67. There are a number of examples of the council listening to the views of its communities in delivering its services. In its joint inspection of older people's services during 2015, the Care Inspectorate also highlighted some of these. It noted that carers have increasing opportunities to express their views through a range of decision-making forums, and they feel their views are taken into account.
68. Community representatives we spoke to recognised the council's efforts to improve community engagement but were still more negative than positive about consultation and communication. In our focus groups, community representatives suggested that the council did not listen to feedback from communities, nor did it demonstrate how it had taken community feedback on board. They said this affected relationships between the council and its communities, with a growing lack of trust and willingness of communities to engage.
69. With the council operating over a large area where most people live in scattered, often remote, rural and island communities, it should make the most of the enthusiasm of local communities to be more involved in its work. The council's four area committees offer the potential to build good relationships with local communities and contribute to the council meeting its responsibilities under the Community Empowerment (Scotland) Act 2015. This is particularly so for responsibilities that relate to giving local people more say in decisions about public services and their right to participate in public decision-making. The council has started to look at how it will respond to the new legislation.
70. Area committee meetings take place in different towns across the areas they serve, which makes them more accessible to local communities. They are open to the public and allow the opportunity to question local councillors. However, these meetings take place during the day and public attendance is very low. This is unlikely to be due to low public interest in local issues, as unofficial open evenings held by councillors, such as those in the Oban, Lorn and the Isles local area, have been well attended.
71. In addition to the area committees, four local area community planning groups cover the council's four administrative areas. These groups have developed local plans to deliver the SOA objectives within the local area. Between October and December 2014 the council and its community planning partners refreshed the terms of reference and membership of these groups. They agreed that to ensure democratic accountability, the chair and vice-chair from each of the council's area committee and one other councillor from the relevant area

committee would sit as members of the local area community planning group. Local accountability has also been strengthened with community representatives now chairing three of the four local groups.

- 72. The council recognises that it can improve consultation, engagement and communication with its communities and is in the process of developing proposals to redefine its relationship with them. This includes ensuring that the good practice it considers already exists across the council is made more systematic and becomes the corporate standard.
- 73. Area committees can play an important role in building better relationships with communities, delivering local plans and priorities, and empowering people to do things for themselves. They can do this by working more effectively with local community planning groups to deliver on local strategies. In order to do so, the council needs to develop the committees further. While councillors are supportive of the need for area committees, almost half feel they are not effective. Reasons given for this include: area committees not controlling budgets; decisions about using resources - such as money and equipment - requiring approval by central strategic committees; and perceived conflict between the decisions taken at area committees and the strategic committees.

The council can operate much more openly as a means of building better relationships and developing greater trust with its communities

- 74. Argyll and Bute is the council about which Audit Scotland has received most correspondence in recent years. In 2014/15, this was 16 per cent of all cases. Most centred on issues such as the sale of Castle Toward and the commissioning process for community-based addiction recovery services on behalf of Argyll and Bute's Alcohol and Drugs Partnership. Correspondents believe that the council's governance and decision-making processes are poor and refer in particular to the council not making the necessary information available. Our focus groups with communities also highlighted a perception that the council was not open in the way it operates. Even where the council is operating in a manner that is technically correct, there is scope for it to be more open as a means of building better relationships and developing greater trust with its communities.
- 75. The council considers a relatively high proportion of its business in private. For example, in 18 full council and Policy and Resources Committee meetings between July 2014 and July 2015, around 14 per cent of reports were considered in private. Only three councils had a higher percentage of private reports. More than a third of all councils considered less than five per cent of reports in private. When the council recently reviewed its papers over the past year, it concluded that it was satisfied that the correct legal clause had been applied in each case.
- 76. All councils need to manage sensitive information, including contractual and personal information, responsibly and in line with legal requirements. However, most other councils consider more of this information in public than Argyll and Bute does. Some provide details of bidders for properties or contracts and others provide the amounts offered and the reasons for accepting or rejecting bids.

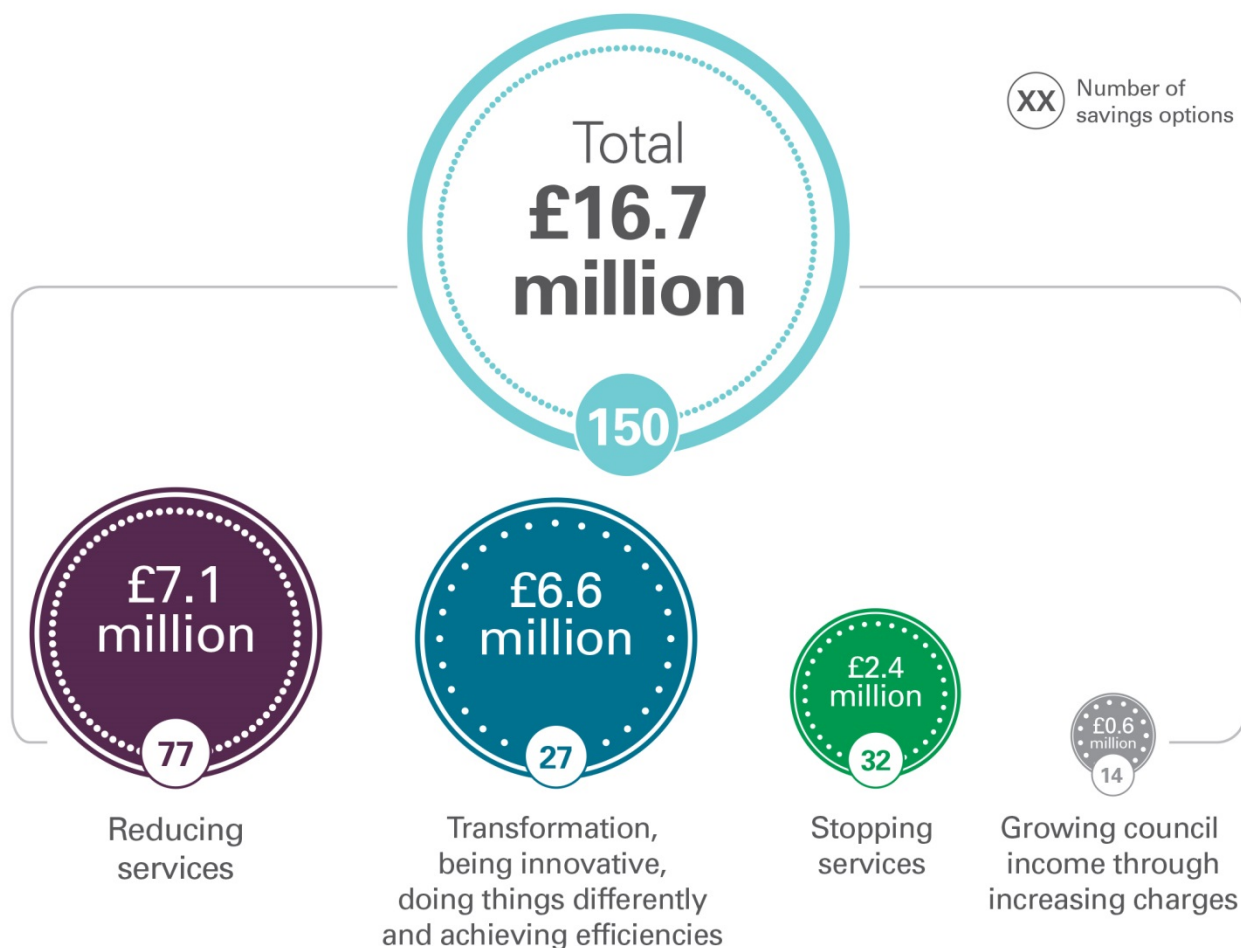
77. The council needs to consider more carefully the high level of local interest in its business and the frequency and nature of the challenges it receives about its apparent reluctance to operate openly. It should look to become a model of transparency, learning from others that demonstrate the greatest degree of openness in conducting their business. Where it does need to consider issues in private, it can report much more information about issues debated and the outcomes to the public. This could include details of to whom something was sold, the selling price or to whom a contract was awarded. By operating more openly it will help build greater trust with its communities.

The council's response to future financial challenges relies heavily on reducing existing services rather than on providing services differently. The impact on achieving strategic priorities is not clear.

78. In line with the situation across Scottish local government, the next few years will see a period of significantly reduced public spending in Argyll and Bute. In June 2015, the council forecast that it needed to save between £21.7 million and £26 million over the five years from 2016/17 to 2020/21. The council's initial focus has been on the next two years, given the estimated budget gap of up to £18.4m by 2017/18. So far, more savings than required have been identified against this target. The council has also identified £12.3 million of reserves it can use to increase income or reduce cost to the council through its SOA economy and jobs theme.
79. In December 2014, the council agreed *Planning our Future*, a strategy for addressing both the financial challenges ahead and delivery of the SOA. Its stated aims include:
- transforming the work of the council to invest in the future, that is, attracting people and businesses to the area to create prosperity and to secure funding for future council services
 - supporting communities by protecting jobs and preserving the most important services.
80. Within this broad strategy, *Service Choices* provides the process for deciding where to make future budget savings linked to the council's strategic priorities. In April 2015, the council established a cross-party project board to lead the Service Choices process. In October 2015, based on the project board's work, the council agreed to consult the public on 150 savings options totalling almost £16.7 million under four themes, as shown in [Exhibit 2](#).

Exhibit 2**Service choices**

The council is consulting the public on the following proposed savings



Source: Argyll and Bute Council's Public Consultation documentation

81. Service Choices contains a range of savings options categorised as transformation, growing council income, reducing and retaining services and stopping services. The council took a decision that it would consult the public on all options that have policy or staffing implications. Following public consultation, it plans to prioritise the options it will implement based on their impact on staffing, service delivery, the community, vulnerable people, and the SOA.
82. It is not clear how most of the Service Choices options will help to deliver the council's strategic aims and priorities. The majority of the proposed savings options put to public consultation are based on low-level cuts to individual service budgets. 109 of the 150 savings proposals are based on reducing or stopping services, or doing both. 43 represent service cuts of £20,000 or less. Given the nature of many of the proposals, it is difficult to see how the public would be able to offer an informed opinion on them. Many relate to management actions that the public might consider are simply efficiency measures that should be pursued

as a matter of course. For example, proposals categorised under transformation include asking the public for its view on:

- saving over £0.5 million from combining the council's Improvement and Organisational Development and HR teams
- saving over £0.25 million by reviewing staffing of the strategic finance team
- saving £45,000 through consistent management arrangements in Argyll and Bute's four community centres
- reducing central administration costs in planning and regulatory services by £16,000 through improved processes and systems
- saving £13,000 in the cost of the creditors service through reduced postage, stationery and printing
- communicating by email rather than post in customer service centres to save £10,000 in postage, printing and stationery.

83. For the vast majority of the proposals that the council has categorised as transformation, there is no evidence of them leading to any alternative ways of delivering services. With the exception of creating a charitable leisure trust and proposals to reduce the frequency of bin collections, transformational savings relate to internal management actions, similar to those above. The transformation options do include between £2.25 and £3.37 million of potential savings from integrating health and social care services, which is part of the national policy change across all council areas. It would be up to a new integration joint board in Argyll and Bute to agree and achieve such savings.
84. The Service Choices consultation does not make clear to the public the links between the Service Choices process and the other elements of its *Planning Our Future* strategy and its strategic priorities. The council needs to consider more effective ways to consult with the public, to more clearly inform people about the impact of the savings proposals and to better assess public opinion on new ways of delivering those council services that people value most.

Conclusions

85. The council has made progress in delivering its improvement plan since the Accounts Commission issued its findings on the Statutory Report in October 2013. In particular, it has:
- implemented revised political management arrangements that strengthen scrutiny and provide clearer roles and responsibilities for committees and members
 - strengthened leadership development for senior managers
 - supported and encouraged councillors to take part in training and development opportunities.
86. It is important that the council continues to make progress with its current improvement plans and regularly assesses the impact of the improvements it makes.
87. The council still has some areas where it needs to improve. These include:
- Establishing a more open and transparent culture and style of working. This includes appearing less defensive in dealing with conflict and minimising the amount of business it carries out in private. It needs to do this to reduce complaints about a lack of openness and build greater trust with communities. Learning from other organisations that demonstrate the greatest degree of openness will assist with this.
 - Continuing to seek a resolution to long-standing and deep-rooted relationship difficulties between some members and between the council's leadership and the Argyll and Bute constituency MSP.
 - Taking a more innovative approach to dealing with its financial challenges that is in line with its strategic vision and priorities for the area. This includes looking beyond reducing or withdrawing services and more fundamentally examining how it can do things differently.
 - Demonstrating more clearly how it takes on board consultation feedback from its communities, to build a greater level of trust and willingness to work with communities. This will be important in taking forward Services Choices.
 - Strengthening local empowerment and embracing the enthusiasm of local communities to be more involved in the work of the council. This includes building on existing area committee and community planning structures and exploring possible opportunities under the Community Empowerment Act to give local people more say in decisions.
 - Exploring all options for providing training and development for all members in a way that is most accessible and has greatest impact.