

This budget proposes radical change to the council structure in order to improve efficiency, save costs and to improve governance and accountability. It aims to retain as many services as possible by reducing management costs and thereby retain the maximum number of jobs both within the council and with its 3rd sector partners. In so doing it proposes to:

- Reject all the options in Service Choices other than the ones identified below. As Audit Scotland has pointed out in its criticism of Service Choices, *“However, in a public consultation currently under way, 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**.* (Emphasis is ours.) There are other common sense option in Service Choices but these can be considered in the round as part of a further review.
- Initiate a complete, ground up, review of the budgets other than education (see specific proposal below) in the first 6 months of 2016/17. This review may lead to some budgets being increased while others are reduced. It is possible that some services may need to be stopped altogether. The intention will be to restructure the council for the next 5 years but to implement that **in full** by the end of 2016/17 rather than prolong the year on year cuts that are so debilitating to any organisation. This review will be carried out by all elected members together with a widely representative group of our customers, the people and businesses of Argyll & Bute. **This is putting participatory budgeting into practice.**
- Maintain the essential corporate responsibilities of Argyll & Bute Council while devolving decision making and service delivery to the maximum extent possible. To quote Audit Scotland again: *“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.”*

Ideally, the review proposed above should have been carried out instead of the Service Choices exercise, so time and energy have been lost already. Given the budget reductions that we are faced with from April 2016, and given the need to set a legal budget in February 2016, we have no option but to pre-empt some of the proposed review in this alternative budget.

The council as proposed will be run on a devolved basis with the 4 current administrative areas taking almost all decisions, other than those that have to be council wide. For such council wide decisions, these will be made by all councillors at a council meeting, most likely held by video conferencing, see below.

Those elected to be the area chairs will form a leadership role for the council as a whole on a collective or shared basis. These 4 posts may be the only elected member posts to receive an additional responsibility payment and this is reflected in the large saving to members' costs below. The budget assumes an element of additional payment for each of these 4 posts but it will be down to each area committee to agree if it is paid, or not. All other councillors will be expected to take on responsibility for functions within their areas, allocated at a local level by the area committees, but with no additional payments. Every elected member will therefore be more directly involved in the governance of the council and more directly accountable to the electorate.

Changes will be required to the council constitution in order to allow for such radical change and work on this will start as a top priority. Investment will be required in professional video conferencing equipment in order to make the connectivity between the 4 areas work more reliably and operate to a higher standard. This is reflected in one of the budget proposals below which proposes taking funds from reserves on a one off basis to fund this investment.

There are other proposals to draw from reserves that are in line with the current plans to support the Single Outcome Agreement. The appearance of our towns and villages is vital to retain people and attract both visitors and additional permanent residents to address our falling population. This budget has ambition at its heart but to realise that ambition a different way of working is needed and that means elected members have to have the appetite to drive radical change. **Doing things the same old way won't do.** Devolving power from the centre to the areas is also intended to assist in the empowerment of our staff by giving them more decision making power (and more of that locally) and at as low a level as possible. That, in turn, may help address the enormous cost of sick pay (£3.2m plus), much of it through stress related illness. This £3.2m in sick pay is only part of the true cost of sickness in the council and ways need to be found to reduce this.

Population decline is a huge threat to Argyll & Bute as just about everyone agrees. It is, however, significantly worse in some areas than in others and we do have areas where the population is increasing. Based on figures given by staff in strategic finance and using Scottish Government figures on median wage levels in Scotland, each additional 1,000 people (assuming 4 per household and 1 working) will produce a total additional input to the Argyll & Bute economy of some £8m, £1.46m of which might come to the council in additional Scottish Government Grant (GAE) and council tax.

Over time, an additional 10,000 people would produce additional income of some £80m per annum with close to £15m of this coming to the council. One way this council can help is to ensure that as many of our employees as possible have their primary residence in Argyll & Bute. We need to consider innovative ways of ensuring this happens, using a combination of measures. The proposed

new corporate management staff will be expected to have their primary residence in the area each is responsible for, wherever legally permissible.

Accountability and accessibility will be improved as part of the constitutional changes by ensuring that the public's attendance and involvement in the council processes is greatly improved. As examples, and to be agreed by all members, the area committees will be strengthened by adding members of the public, the 3rd sector, community councils and business people to them. It is proposed that meetings will mainly be in the evenings to allow more of the citizens of the area to witness the debate and decision making processes and, perhaps more importantly, to facilitate a wider group of potential councillors to add their names to the 2017 elections, eg those in full time employment or in education.

Some of the above political changes are essential to make this alternative budget work. For example, the savings on travel costs are not feasible unless the political and corporate management structures change. Some elements are optional, although recommended, and could be subject to change by agreement with all members, provided of course that we set a legal budget.

The practical consequences of the political changes proposed translate into the following summary of our budget proposals. The latest target saving from strategic finance is

£ 10,300,000 More detail is given on subsequent pages.

	Total savings >>	-£	10,329,836
1	Elected Members	-£	297,558
2	Corporate Management Structure	-£	1,411,138
3	Staff Travel & Subsistence	-£	730,208
4	Strategic Finance	-£	189,500
5	Adult Literacies and Libraries	-£	1,200,000
6	Economic Development	-£	419,688
7	Education	-£	1,970,000
8	Committee Services	-£	250,000
9	Business Gateway	£	50,000
10	Property Services	-£	62,000
11	Housing Strategy	-£	137,000
12	Improvement & HR	-£	510,667
13	Waste Management	-£	677,800
14	Social Work	-£	2,422,002
15	Assumed 1% salary saving	-£	102,276

1 Costs of elected members

This revised budget covers the basic salaries of 36 elected members plus oncosts. There are only 4 additional responsibility allowances that *may* be paid to the 4 area chairs @ a maximum of £3k each, subject to each area's agreement. Members may feel no responsibility allowances should be paid at all. That, however, is a matter for each area. A much reduced budget for travel has been factored in due to the hugely reduced need to travel. The costs of Cosla membership are included and this may produce a further saving of £ 61,242 if members feel membership is not worth the benefits received. Members may wish to note that the real cost of Cosla membership is much higher than the fee once staff and member time plus travel costs are factored in, perhaps 4 times as much.

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

2 Corporate Management Structure

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

Each area manager will have 1 administrative assistant and 1 personal assistant. Each of the 3 heads of service will have 1 administrative assistant. In order to effect this change, and to ensure the necessary savings while still paying attractive salaries, Argyll & Bute Council will withdraw from the arrangement that sets the salaries of chief officers.

The summary taken from the detail is:

Current Corporate Management Costs	£	2,935,000
Revised Corporate Management Costs	£	1,523,862
Saving	£	1,411,138
Saving as a percentage		48%

3 Staff Travel and subsistence budget

As a direct result of the decentralised model, the staff travel and subsistence budget can be hugely reduced. To add to this reduction, the greatly improved VC facilities (see proposal on a draw from reserves later) will minimise the need to travel. These facilities, combined with the existing Lync telephony system, will transform operations and increase efficiency. Perhaps more importantly, reduced travel will minimise lost productivity while travelling and, in so doing, take one of the stress factors off council staff.

Current travel and subsistence budget	£ 1,680,208
Revised travel and subsistence budget	£ 950,000
Saving	£ 730,208
Saving as a percentage	43%

4 Strategic Finance

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

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

5 Adult Literacies, School Libraries and the Public Library Service

There is a logic in our view to treating these 3 services as one for the purpose of establishing an alternative way of delivering the savings. The proposal is to end adult literacies and public libraries as internally delivered services but to retain the school library service as is but with an added responsibility.

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

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

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

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

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

6 Economic Development

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

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

Current economic development budget	£ 2,142,257
Revised economic development budget for outsourcing	£ 1,517,257
Saving after factoring in GAE reduction	£ 419,688
Saving as a percentage	20%

7 Education Service

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

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

- Come up with proposals for each school cluster management team that reflect the size and diversity of each cluster and which has strong representation from parents and the local community.
- Take on responsibility for identifying target savings of approximately 1.5%, or £1m, for 2016/17. The additional savings needed for 2017/17 are a further 3.5% or c£2.5m. School clusters need to bear in mind that the initial 2016/17 savings need implemented by August 2016 so the £1m is to be saved in the remaining 8 months of the financial year 2016/17.
- Comment on the proposed saving in education management costs proposed below and on the structure that is needed within this new budget heading.
- Include as key efficiencies for each cluster (but by no means exclusively) the following:
 - the sharing of curricular resource materials and specifically a more efficient per capita allocation;
 - the provision of supply teaching staff to the cluster;
 - the potential for shared headships within the cluster;
 - the potential for shared clerical and administrative support within the cluster;
 - the potential for teaching more specialist subjects, especially in secondary schools, by video conferencing;
 - the potential for sharing services which currently deliver a service to those schools but over which schools currently have little or no control, eg

- cleaning, janitorial, school meals, school transport, school crossing patrols, property etc., and
- the IT and other resources needed to enable any of the above.
- A timetable is proposed now for the work of the clusters, detail to be agreed with officers. The timetable is tight but realistic and needs to be adhered to if this year's savings are to be made:
 - Work to agree the school clusters to begin immediately and a proposal should be put to a special council meeting at the end of March.
 - The school clusters have 2.5 months to come up with proposals for implementation from August 2016, with a paper to come to the scheduled June meeting of the council.
 - Progress reports need to be issued to councillors at the end of April and May, presented to elected member seminars for comment.
 - The further savings for the full year 2017/18 need to come from the school clusters by end December 2016.

The savings proposed at this stage total **£ 870,000** and are as follows:

1. The cut of **£ 280,000** already agreed by the council in November 2015.
2. Education management costs need to be reduced by **£ 600,000**. These are the posts above that of the head teacher, excluding the head of service (or director of education) post which is included in the revised corporate management structure for the council.
3. The Early Years Change Fund, EDU03e, will be removed completely from 2016/17 producing a saving of **£ 90,000**. The advice from officers is that this is the option with minimal impact.

The position in summary is as follows:

Current education budget	£ 69,695,000
Target savings for school clusters is 5% or >	£ 3,484,750
Savings as proposed in 2016/17	£ 970,000
School clusters to produce savings in 2016/17 of	£ 1,000,000
Total savings in 2016/17	£ 1,970,000
Saving in 2016/17 as a percentage	3%

8 Committee services budget

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

Current committee services budget	£ 754,844
Revised committee services budget	£ 504,844
Saving	£ 250,000
Saving as a percentage	33%

9 Business Gateway

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

In tandem with this change to the operation of Business Gateway is the creation of 2 funds, one to give grant and loan assistance to businesses and the other to create new business premises for very small businesses using the model created by M&K Macleod Ltd in the former Jaeger factory in Campbeltown. More detail on these 2 funds is contained in the section on the use of council reserves below.

The revised Business Gateway budget is as follows:

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

10 Property Services

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

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

11 Housing Strategy

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

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

12 Improvement & HR

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

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

13 Waste Management

We propose to take 3 of the options from Service Choices in full, ie move to a 3 weekly green bin collection, removal of food waste collection from Helensburgh and remove vacant post in waste management service. These are all taken in 2016/17 and in summary produce the following:

Current budget for waste management	£ 6,613,000
Revised budget for waste management	£ 5,935,200
Savings: RAMS05a5, RAMS05d, RAMS05e from Service Choices	£ 677,800
Saving as a percentage	10%

14 Social Work Budget

The responsibility for this budget will transfer to the Integrate Joint Board from 1 April 2016 but the council has to factor in the exact allocation. With the demographics of Argyll & Bute being as they are, we take the view that more funds need to be allocated to adult care. This is especially the case for the care at home service where there have been difficulties in recruiting and retaining staff, not least in the contracted out part of care at home services run by the private sector. While pay and conditions are not the sole factor in the recruitment problems, they are a key one. There is evidence of widespread breaches of employment law and the minimum wage regulations. These staff are among the poorest paid staff anywhere in Scotland and we propose to increase the adult care budget by 7.5% or just over £2m for the sole purpose of resolving the pay and conditions of the workforce delivering the care at home service. This service currently costs £10,688,000 so this increase is significant but to allow the living wage to be paid it's essential.

The remainder of the social work budget will be cut by % and the overall position of the budget is summarised as follows:

Current budget for social work	£ 56,260,976
Revised budget for social work	£ 53,838,973
Saving	£ 2,422,002
Saving as a percentage	4%

This is a very modest overall reduction and confirms very publicly the council's commitment to the integrated health and social care service and at the same time providing a remedy for the issues endemic in the care at home service for elderly adults.

15 Salary Costs

We consider that it's iniquitous for the council to be losing jobs through these cuts while the staff unaffected get increases of 1.5% and 1% over the next 2 financial years. It could well be argued that some of those losing their employment, the unfortunate, are doing so in order to fund increases for those remaining, the fortunate. If you consider the total cost of the increases over the next 2 years and divide that by the current average salary in the council, we will need to lose around 115 full time posts (using the average salary in the council) just to fund the increase. Perhaps the staff might consider a voluntary agreement that could avoid these job losses.

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

However, given the savings identified above, there will be an additional saving over and above these figures in salary increases that won't be paid to the staff being lost. Although the increase is 1.5% for 2016/17, we have factored in a modest 1% saving to the salary bill from the savings above. This saving equates to -£ 102,276.

16 Council Reserves

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

Proposal 1 The council invested fairly recently in high quality video and audio equipment in the Kilmory council chamber. This proposal is to equip 5 other locations to the same standard, in Helensburgh, Rothesay, Dunoon, Oban and Campbeltown at estimated maximum cost per site of £ 50,000. This earmarking from reserves will be £ 250,000 in total.

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

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

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

The £400k fund will be used to effect repairs and cover legal and other costs. Assets gained by CPOs will then be sold and the funds received will go back into the Property and Land Improvement Fund. The intention will be that over the medium term this fund will stay roughly in balance, with funds in equating broadly with funds out.

Proposal 3 In tandem with the creation of the Property and Land Improvement Fund, a one off sum of £ 400,000 will be taken from reserves and allocated to the new area committees for the express purpose of making one off improvements to the appearance of our towns and villages. Each area committee's allocation of £100,000 will be spent as locally agreed provided the spend is for making the one off improvements mentioned.

Proposal 4 To assist in the process of giving Business Gateway the resources to make a real change to the attractiveness of Argyll & Bute as a place to live in and do business in, we propose taking an allocation from reserves to emulate what M&K Macleod did in the former Jaeger factory in

Campbeltown, ie the building of small units for rental at competitive rates to enable very small businesses to have base from which to operate. This will be called the **New Business Premises Fund**. The Campbeltown units have been a huge success and the plan will be to work with our community planning partners to identify suitable sites for these units throughout Argyll & Bute. The estimated build cost per unit is £ 60,000 and the target is to build 18 of these units giving a total allocation from reserves of £ 1,080,000 . Proposals on where these units will be built will come from the new Business Gateway operation to the new area committees. Once built, the rental income generated will come back into the fund and, like proposal 2, in the medium term the plan is to be able to build more new business units from a fund that has started to grow again through its rental income.

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

Proposal 6 To provide a contingency sum in case any of the other savings are delayed and not achieved in 2016/17, we propose to allocate £ 500,000 from reserves to cover the smoothing needed.

Reserves summary

Upgrade 5 sites to the same VC standard as the existing system in Kilmory.	£ 250,000
Property & Land Improvement Fund	£ 600,000
One off £100k allocation to 4 area committees	£ 400,000
New Business Premises Fund	£ 1,080,000
New Small Business Grant and Loan Fund	£ 100,000
Contingency draw from reserves	£ 500,000
Total allocation from reserves	£ 2,930,000
Free reserve remaining	£ 9,286,000