

Best Value

Argyll and Bute Council

EMBARGOED UNTIL
00:01 HOURS,
THURSDAY, 3 APRIL 2025



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
April 2025

Contents








Key facts	3
Commission findings	4
Controller of Audit report	6
Appendix 1	13
Appendix 2	14



Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

	2,667	Square miles
	87,810	Population
	4,679	Workforce (3,911 FTE)
	36	Elected members: 12 SNP, 9 Conservative, 9 Independent, 4 Liberal Democrats, 1 Labour, and 1 Green Party (Coalition administration excluding 9 Conservative and 4 Independent councillors)
	£28.6m	Cumulative revenue budget gap, five years 2025/26 – 2029/30
	£284.5m	Net revenue budget/expenditure 2023/24
	£33.2m	Capital budget 2023/24

Commission findings

The Accounts Commission endorses the Controller of Audit's report on Best Value in Argyll and Bute Council ([presented at page 6](#)) and the recommendations made by the auditors. Following consideration of these reports at its meeting on 13 March, the Commission has made the findings presented below:

- 1** Based on the audit evidence presented, the Commission concludes that there are currently no significant areas of concern and is pleased to see improvement actions from previous Best Value reports completed. Following the change in political leadership last year, we recognise the council now has many critical pieces of work in the pipeline, including a new corporate plan, and look forward to seeing how this plan sets a strategic direction for ensuring financial sustainability and meeting the needs of service users across Argyll and Bute.
- 2** The council must now ensure that its new corporate plan maintains a clarity of vision, that supporting strategies and policies are aligned to it, and that the plan is underpinned by more streamlined and focused performance reporting and key performance indicators to drive continuous improvement. Recognising the council's mixed performance, we would encourage the council to progress with developing its corporate improvement plan and want to see evidence of more coherent and transparent public performance reporting, aligned to the [Statutory Performance Information Direction](#).
- 3** Given its remote and rural characteristics, the council is ahead of the game in terms of achieving efficiencies, including through its use of digital technology, with exciting examples of innovation within service areas. However, the potential for further management efficiency savings may now be limited. In line with our forthcoming Best Value reporting on transformation, we will expect the council to build on its culture of innovation and provide evidence of a more strategic approach to transformation and service redesign, aligned to its new corporate priorities and required savings.
- 4** The council has comprehensive structures for managing and reporting financial matters and for budget-setting, and a strong track record of delivering recurring savings. However, given the budget gap projected over the next five years, we

expect the council to adopt a more strategic approach to savings planning, driven by its new corporate priorities – and difficult decisions may now start to test its collaborative working arrangements.

- 5** As savings options become more challenging to identify, engaging with communities is increasingly important. The council's community engagement strategy should support this critical dialogue and needs to be embedded across the organisation.
 - 6** The council's approach to workforce planning, including around agile working, is to be commended and should be shared with others. It will be important to ensure that strategic and operational workforce plans remain aligned to the new corporate plan. As a Commission, we will watch with interest as to whether the plan to introduce more hybrid and flexible working arrangements and promote more permanent positions addresses underlying workforce issues and would encourage the council to regularly monitor and report on progress and impact.
-

Controller of Audit report

Introduction

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23 and 2023/24 annual audits of the council, with the latter reported in December 2024. [Appendix 1](#) includes links to the 2022/23 and 2023/24 Annual Audit Reports (AAR) and [Appendix 2](#) includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation.

Pace of continuous improvement

3. Argyll and Bute Council (the council) has made good progress with previous improvement recommendations and remains committed to the principles of Best Value. A change in political leadership at the council in 2024 has led to a period of policy review. It will be important for this review to be completed on a timely basis and for plans to remain aligned.

Best Value Assurance Report (BVAR) follow-up

4. The last full BVAR was published in May 2020 following work undertaken before the Covid-19 pandemic. The Accounts Commission welcomed the progress made by the council since a series of statutory Commission reports in October 2013, July 2014, and December 2015. In particular, the Accounts Commission welcomed the significantly improved relationships among elected members and between members and officers, providing a sound basis for tackling future challenges.

5. The May 2020 report did find, however, that the council was not yet in a position to demonstrate the achievement of all aspects of Best Value. In some key areas the pace of improvement had been slow and there was limited evidence of the council using performance information to drive improvement.

6. In total there were seven recommendations made across a number of areas including transformation, performance reporting, engagement with staff and communities, elected member training and assessing the contribution of economic development activity.

7. A Best Value Improvement Action Plan was agreed, with updates on progress taken to the Audit and Scrutiny Committee. Reports demonstrated good progress in 2021/22 with all improvement actions marked as complete in March 2023.

Leadership thematic review

8. Following the local government local elections in May 2022, officers and elected members worked effectively to agree a new approach to strategic planning and performance reporting. An updated Corporate Plan 2023–27 was approved. This set out a continued commitment to the vision of a ‘successful, vibrant Argyll and Bute with a growing population and thriving economy’.

9. An Annual Business Plan underpins the Corporate Plan which sets out actions for all services and demonstrates how they align with Corporate Plan priorities and the Local Outcomes Improvement Plan. An annual progress report on the business plan is taken to the council.

10. The council’s priorities include a focus on reducing inequalities and ensuring the council distributes its resources fairly and equitably. Tackling climate change is also a priority for the council with a climate action plan setting out how it will support the Scottish Government’s climate change targets.

11. Following the change in political leadership in April 2024, the Corporate Plan, along with other policy documents and the Performance Improvement Framework, have been going through a process of review (scheduled for completion by March 2025).

Community engagement

12. The council carries out regular satisfaction surveys through its customer service centre and has also committed to develop eight locality action plans due for publication in July 2025. Annual budget consultations are undertaken and considered as part of budget-setting. In 2023/24, the council trialed the use of a budget simulator tool in its consultation process which received approximately 400 responses. In 2024/25, the council received 261 responses.

13. The council has established a Community Engagement Strategy Group to develop a community engagement framework and tools for use in engagement activities. This is due in early 2025.

Effectiveness of performance reporting

14. The council’s Annual Report forms a key part of its public performance reporting duties. The 2023/24 report was taken to committee in December 2024 and approved by the council on

27 February 2025. The report was not available to the auditors at the time they produced their annual audit report.

15. The council's Annual Report sets out performance against corporate plan priorities and is based on information gathered in more detailed service annual performance reviews (not published).

16. The council's Corporate Plan is supplemented by an annual business plan and progress against the business plan is reported to committee and noted by the council on an annual basis.

17. There are also well-established arrangements for reporting at area committee level with Quarterly Area Committee Performance Reports for the council's four administrative areas. Each of the Area Committee Performance Reports link with and assess corporate outcomes laid out in the Corporate Plan, showing clear links to overall strategy.

18. The auditor has, however, identified scope for the improved use of key performance indicators linked to targets in the council's plans and reports, and the council is actively taking this forward. The auditor has also highlighted the ongoing development activity on a new corporate improvement plan (originally due in autumn 2024). The previous corporate improvement plan ended in 2022.

19. The corporate improvement plan will identify corporate thematic improvements. Evidence for needed improvement will come from a range of sources including audits, self-assessment activities, feedback from employees or customers, previous improvement activity undertaken through accredited bodies and benchmarking.

20. The council has committed to a review of its approach to self-assessment including how it uses the Local Government Benchmarking Framework (LGBF) indicators.

Reported performance

21. The council's Annual Report 2023/24 includes a review of its performance via seven high-level corporate outcomes and a series of 47 corporate outcome indicators (COIs). Of the 47 COI indicators, 26 were assessed as on track/above target/no target with improving performance, and 21 were classed as off track/under target/no data.

22. Corporate outcome: 'Children and young people have the best possible start' is the best performing with 75 per cent (6 out of 8) of indicators on track. Corporate outcome: 'Education, skills and training maximise opportunities for all' is the worst performer with 14 per cent (1 out of 7) on track.

23. A review of the LGBF performance indicators shows that 64 of 107 available indicators had improved since the base year. Performance was improved or maintained, as compared to last year, in the areas of Tackling climate change, Financial sustainability, Satisfaction, Culture and leisure

services, Corporate services, Economic development and Environmental services. Performance declined as compared to last year, in the areas of Children's services and Adult and social work services. The council compares positively when compared to family group members.

Workforce planning

24. The council has recently introduced a Strategic Workforce Plan for 2024-28 which is clearly aligned to the council's People Strategy 2024-28. Both are based upon the Connect for Success model established within the council's Corporate Plan. Both documents have annual delivery plans, with the first intelligence due in March 2025.

25. At operational level, workforce planning reviews are performed (and feed into a Workforce Planning Risk Matrix) at managerial level. This ongoing process enables operational managers to highlight potential workforce planning risks. The Workforce Planning Risk Matrix highlights key concerns and suggestions and is informed by workforce data, adopting a Red/Amber/Green status for categories. The matrix has been shared with other councils as an example of good practice in workforce planning.

26. The council is developing the capability of its workforce and is implementing modern agile work policies to enhance the capacity and skills of its workforce. The Agile Workforce Plan is still in an early phase of implementation and the intention is to monitor and review it alongside the Hybrid and Flexible Working Policy on an annual basis. Therefore, the effectiveness of these arrangements in changing the workforce trend cannot be fully determined.

27. Quarterly Health of the Organisation reports are used to monitor and inform workforce planning, with a specific section in the report relating to the delivery of the Workforce Plan and any associated actions. These contain key metrics and quantitative statistics for the chosen department/directorate compared to the council as a whole, including payroll data, age profiling, staff turnover, employment type.

28. There remains a risk that the ongoing review of council priorities could impact workforce planning. The council should ensure that regular reviews and monitoring of workforce plans are performed so it is consistently aligned with its overall strategy.

29. The council released a Hybrid and Flexible Work Policy in 2023/24. Feedback was gathered from trade union and employee discussions and a first-year review of the policy is ongoing (originally scheduled for release in December 2024).

30. Recent workforce trends show an increase in temporary and agency staff, now making up about 16 per cent of the workforce. Around 60 per cent of these temporary staff leave before their contracts end. A high turnover and reliance on agency recruitment may lead to

higher costs and reduced quality of services. To address this, the Agile Workforce Plan aims to introduce more hybrid and flexible working arrangements and promote more permanent positions across the organisation.

31. The council introduced initiatives such as 'Growing Our Own' to assist with recruitment and to support a pipeline of talent into the workforce. It includes development via work experience, student sponsorship, trainees, apprenticeships etc.

32. The council participates in joint training and service delivery alongside other local government bodies in Scotland.

Financial management and sustainability

33. The auditors concluded that the council has effective financial planning, with budget monitoring and reporting arrangements in place and a Medium-Term Financial Plan (MTFP) for the four-year period 2025/26 to 2029/30.

34. The auditor's review of previously issued MTFPs at the council provides assurance that forecasts are based on prudent assumptions including the council's latest understanding of future government funding arrangements, local revenue assumptions, service demand and other costs pressures.

35. The council has a good track record of delivering planned savings with 92 per cent and 98 per cent of savings delivered in 2022/23 and 2023/24. Around 73 per cent of new savings approved for 2023/24 were recurring and 27 per cent one off.

36. Overall budget underspends of £7.9 million and £4.9 million (before earmarking adjustments) were reported, for 2022/23 and 2023/24, with significant underspends on loans fund budgets. However, there was a £1 million overspend on services in 2023/24 due in part to unanticipated weather-related incident costs of £0.8 million.

37. Loans fund underspends were achieved after the application of Scottish Government financial flexibilities enabling the reprofiling of debt repayments on service concession arrangements. Flexibilities were applied in 2023/24 with a one-off retrospective gain/cost deferral of £36 million and an in-year gain/cost deferral of £4.8 million. The council applied £5.4 million of the retrospective amount to cover principal repayments in 2022/23, earmarking the remaining £30.6 million for capital investment in priorities for Argyll and Bute. There was also a one-off gain of £0.9 million in 2023/24 from the early redemption of external borrowing.

38. Following earmarking adjustments, the council drew on £9.7 million of General Fund balances in 2022/23 before contributing £29.4 million to increase them in 2023/24. The uncommitted General Fund balance

increased by £1.4 million to £8.3 million in 2023/24, remaining above the council's two per cent policy intention. Key financial information is included in [Exhibit 1](#).

Exhibit 1.

Argyll and Bute Council – key financial information

Budget-setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Budget gap	2.2	13.1	10.2
Planned to be met via:			
• Savings	3	9.5	4.6
• Increase in fees and charges	0.4 (3%)	0.8 (6%)	0.4
• Use of (contribution to) reserves	(2.8)	0	1.2
• Increase in Council Tax income	1.6 (3%)	2.8 (5%)	4 (second homes)
Actual			
Savings delivered	92%	98%	-
Reserves			
Total usable reserves carried forward	93.8	121.7	
General Fund	86.4	115.7	
Earmarked	79.5	107.4	
Uncommitted	6.9	8.3	

Source: Council accounts and committee papers

39. After additional funding to support a council tax freeze, and the application of £2 million of reduced employer pension contributions, there remained a £10.2 million budget gap for 2024/25. This gap was closed and a balanced budget set after the approval of £4.6 million of savings; £4 million of additional income from council tax increases on second homes; £0.4 million additional income from increased fees and charges; and the use of £1.2 million reserves.

40. The council took advantage of the latest positive valuation of Strathclyde pension fund and elected to pay reduced employer pension contributions in 2024/25 and 2025/26. Of the £13.75 million reduced contributions they approved the use of £6 million to support budgets at £2 million a year for three years including 2026/27, with the balance being earmarked to support the capital plan and spend to save initiatives.

41. The 2024/25 revenue budget monitoring report for the end of October 2024 forecast an overspend on services of £4.6 million. Although £2 million of this relates to health and social care and would fall to be met by the IJB from reserve balances, and £0.8 million would fall to be funded by Crown Estate funding. The narrative to the report also indicates a potential underspend on the loans fund which is not quantified.

42. Budget estimates after the revised assumptions in October 2024 give an anticipated in-year budget gap of £9.1 million for 2025/26, and a cumulative budget gap of £28.6 million by the end of 2029/30, based on a 'mid-range' scenario. The council's 'worst case' scenario highlights a potential £93.2 million cumulative budget gap by the end of 2029/30.

43. While the council has managed to make savings in the past, it does not have a dedicated savings plan document. These are only drawn up at an operational level and do not feed in to aggregated savings plans. The council should look to take a more strategic approach to considering a range of savings options to ensure effective monitoring of savings and to support councillors and officers to continue working together to make difficult decisions.

Delivery of the capital programme

44. The council experienced significant slippage on the delivery of its capital programme in 2022/23. While there was over-delivery of £4.7 million against the £33.2 million 2023/24 programme, cumulative slippage remained at £23.1 million at 31 March 2024.

45. The council reports that elements of capital slippage can be attributed to incorrect profiling of spend as opposed to delays in the programme. The auditors concluded that there were no significant weaknesses in arrangements.

46. General Capital Grant received from the Scottish Government has fallen by £3.4 million from the £12.3 million received in 2019-20, impacting the council's capital programme. When the capital programme for 2024/25 was set, a cumulative three-year gap of £29.8 million was closed by the deferral of £11.6 million of expenditure and the use of earmarked reserves. In total, £18.4 million of prudential borrowing was included in the financing for the three years to 2026/27.

Levels of debt/capital financing requirement

47. The council's Capital Financing Requirement increased from £291.8 million to £332.4 million in 2023/24 due to the use of financial flexibilities and the write back of historic amounts relating to service concession arrangement debt. There had been a reduction in the capital financing requirement of £15.3 million in 2022/23.

Appendix 1

2022/23 and 2023/24 Annual Audit Reports

These reports summarise the findings from the 2022/23 and 2023/24 annual audits of Argyll and Bute Council.

Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial management
 - Financial sustainability
 - Vision, leadership, and governance
 - Use of resources to improve outcomes.



2022/23 Annual Audit Report
Argyll and Bute Council
March 2024



2023/24 Annual Audit Report
Argyll and Bute Council
December 2024



Appendix 2

Best Value Statutory Guidance

[The Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

Argyll and Bute Council



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit.scot

www.audit.scot

ISBN 978 1 915839 67 1