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Argyll and Bute Council **Comhairle Earra Ghaidheal agus Bhoid**

Customer Services
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SUPPLEMENTARY PACK 2

AUDIT COMMITTEE - COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on FRIDAY, 14 MARCH 2014 at 11:15 AM

I enclose herewith item 5 which was marked "to follow" on the Agenda for the above Meeting.

Douglas Hendry
Executive Director – Customer Services

ITEM TO FOLLOW

- 5. PROGRESS WITH SINGLE OUTCOME AGREEMENT/ADDRESSING KEY STRATEGIC RISKS**
Report by Head of Strategic Finance (Pages 1 - 6)

AUDIT COMMITTEE

Martin Caldwell (Chair)
Councillor Maurice Corry
Councillor Iain MacDonald
Sheila Hill

Councillor Gordon Blair
Councillor Fred Hall
Councillor James Robb

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PROGRESS WITH SOA / ADDRESSING KEY STRATEGIC RISKS

1 SUMMARY

- 1.1 The report provides information on the action being taken by the Council in relation to the red risk in the Strategic Risk Register around population and economic decline. Whilst some activity is ongoing and the recent approval of Lorn Arc TIF is a positive step forward the key mitigating actions for this relate to delivery against the Single Outcome Agreement.

2 RECOMMENDATIONS

- 2.1 The Audit Committee note the term of this report.

3 DETAIL

- 3.1 The Audit Committee was presented with a quarterly update on the Strategic Risk Register at its meeting on 13 December 2013. At the meeting the Committee noted that after mitigating actions the risk relating to population and economic decline remained classed as a red risk. The Committee requested a report to its meeting in March 2014 on the action undertaken to address this risk.
- 3.2 The significance of this risk became clear during preparation of the Single Outcome Agreement. The 2012 census showed a reduction in population in Argyll and Bute from 91,300 in 2006 to 88,000 in 2011. Looking forward population projections suggests a further reduction in population to 83,000 by 2035. At the same time the population is ageing and younger people are reducing and leaving the area. It is also worth remembering that Argyll and Bute is made up of many different communities so the population changes to date have varied quite significantly between areas. The economy in Argyll and Bute is heavily dependent on the public sector and in this respect it is worth noting we are part way through a very significant downward adjustment in funding for public services. Whilst unemployment levels are relatively low employment can be seasonal, wage rates are lower than average and the cost of living is higher.
- 3.3 Given the above the rationale for identifying population and economy as a red risk area is hopefully clear.
- 3.4 In developing the Single Outcome Agreement the Community Planning Partnership of which the Council is a key partner recognised this red risk as the key challenge facing Argyll and Bute. The Single Outcome Agreement has an overall objective of "Argyll and Bute's economic success is built on a growing population". To support this 6 long term outcomes were set out in the Single Outcome Agreement as follows:

1. The economy is diverse and thriving.
 2. We have infrastructure that supports sustainable growth.
 3. Education, skills and training maximises opportunities for all.
 4. Children and young people have the best possible start.
 5. People live active, healthier and independent lives.
 6. People live in safer and stronger communities.
- 3.5 The outcomes set out in the Single Outcome Agreement are ambitious and address the red risk of population and economic decline. To be effective however the commitments in the Single Outcome Agreement need to be backed up by action and investment. In order to do this a series of Single Outcome Agreement delivery plans will set out the objectives for the next 3 years and the actions to be taken by / commitments on each partner to the Single Outcome Agreement. Once the delivery plans are developed the Council (and other partners) will be clear on their commitments to delivering the Single Outcome Agreement.
- 3.6 Once the Single Outcome Agreement delivery plans are agreed the Council will need to ensure it aligns its objectives and resources to delivery of its commitment in the delivery plans and the overall Single Outcome Agreement. This will require the Council to consider how it uses its resources and budget in supporting the delivery plans. This is likely to require a review of Council priorities.
- 3.7 The need to consider how the Council resources the Single Outcome Agreement delivery plans is a key issue to be addressed. The Council recognised this in its budget strategy for 2014-15. The 2014-15 budget strategy will see a 2 year period of relative stability with budget savings of 1% efficiency savings. The period thereafter is financially challenging as further public sector budget cuts begin to take effect and at the same time the Council needs to resource its commitment to the Single Outcome Agreement. The Council agreed as part of its budget strategy that it would revise and develop its approach to service prioritisation / service reviews so that once Single Outcome Agreement delivery plans were in place they could be used to inform the service review / service prioritisation process. The Council would then work through the service review / service prioritisation process from July 2014 with a view to developing future financial and service plans based on the reducing funding base and taking account of the Single Outcome Agreement delivery plans.
- 3.8 The Single Outcome Agreement delivery plans will set out what the Council needs to do to support the Single Outcome Agreement and address population and economic decline. The service review / service prioritisation process will then set out how it will fulfil these commitments within the likely funds that are available. This will cover both revenue expenditure and capital investment. Arrangements will also be put in place to measure and monitor performance as well as budget.
- 3.9 In summarising the position then:
- The red risk of population and economic delivery was recognised in preparing the Single Outcome Agreement.

- The overall objectives of Single Outcome Agreement are the 6 long term outcome set out to address this red risk.
 - The Single Outcome Agreement delivery plans are currently being prepared that will set out what will be done to support the delivery plans.
 - A service review / service prioritisation process is currently being reviewed / developed and this will create a process that allows the Council to align its objectives, resources and budgets to the Single Outcome Agreement.
 - The 2 year period of budget stability creates a window of opportunity to take these processes forward.
- 3.10 Addressing the red risk of population and economic decline is a long term process. It will not be achieved overnight or in the short term. The key next stage is finalising the Single Outcome Agreement delivery plans. These are due to be agreed, finalised and signed off by June. A critical path has been developed for this and overall progress is on track at this stage.
- 3.11 Argyll and Bute Council has developed a refreshed five-year Economic Development Action Plan (EDAP), 2013-2018, to focus the Council's resources on the economic development activities (including strategic transportation and marine operations) that will have the greatest beneficial impact on the sustainable economic growth of its communities and Scotland as a whole. The EDAP, 2013-2018, clearly articulates the Council's corporate priorities for developing the Argyll and Bute economy, thereby facilitating focus, effective resource planning and partnership working at the local, national and European levels.
- 3.12 To support the development of the Single Outcome Agreement delivery plans locally based community planning events with opportunity for public engagement are being held, a series of consultation events on the four area-based Economic Development Action Plans are taking place during February and March 2014 and plans are being developed for a population summit to be held in May.
- 3.13 In order to specifically support the outcomes for population growth and economic growth a separate economic strategy will be developed to specifically focus on – more jobs – more people – what services and infrastructure. Whilst work is underway on this it will be developed along with the Single Outcome Agreement delivery plans. The issue of population and economic decline has been raised at the highest level within the Scottish Government and there is a recognition this is a significant issue.
- 3.14 It is worth noting that the Lorn Arc TIF project recently approved will see a significant investment in infrastructure in the Oban area which is aimed at creating 1000 jobs over time. This represents a positive step in terms of action to begin to address the red risk.
- 3.15 The Council is considering a proposal as part of the budget to fund £50,000 per annum to the Argyll & Isles Tourism Co-operative for 3 years. This will

further support this organisation to develop the tourism industry / market in Argyll and Bute. Employment in tourism accounts for 15% of jobs in Argyll and Bute.

- 3.16 The Economic Development and Strategic Transportation Service Plan for 2014-2015 highlights key service outcomes and success measures related to economic development (Business Gateway, European policy and funding, and employability services), regeneration projects, renewables, broadband and mobile phone coverage, social enterprise, the third sector and other key sectors including tourism, food and drink, forestry, CHORD, connectivity (roads, ferries, air, rail), transport policy (including road safety) and marine operations (ports and harbours).
- 3.17 Business Gateway provides support to all small and medium sized enterprises regardless of the business's age, volume of staff employed or turnover. This support takes the form of access to one-to-one advice from a business adviser, workshops to develop specific business skills and access to business information.
- 3.18 In November 2013, across the whole Argyll and Bute Council area, a £120,000 plus package of support was launched under Business Gateway Plus (which secured ERDF under spend funding from the 2007-2013 European programme). The Business Gateway Plus initiative is aimed at engaging and supporting businesses with growth potential through the provision of growth grants, workshops and specialist advice. The current promotion of this support will focus on engaging new growth businesses.
- 3.19 Argyll and Bute Council's Employability Team has successfully embedded its role as a 'super' sub-contractor for the prime contractor Working Links in order to deliver the Work Programme, since its launch in June 2011, across North and West, West Dunbartonshire, Argyll and Bute, the Highlands (including Inverness city) and the Western Isles in partnership with the Tell Organisation (West Dunbartonshire), Lochaber Hope (West Highlands), 20/20 Clearview (Caithness and Sutherland) and Voluntary Action Training (Third Sector Hebrides, Western Isles).
- 3.20 The Employability Team is also administering an Employer Recruitment Incentive (ERI) scheme funded by the Scottish Government's Youth Employment Scotland Fund to help unemployed 16-24 year olds back into work through offering employers across Argyll and Bute a recruitment incentive.
- 3.21 The emerging Local Development Plan (LDP) identifies delivering sustainable economic growth to support the retention and growth of our population as the central challenge, aligning with the overarching aim of the SOA. The land use vision in the LDP is *"The overall vision for Argyll and Bute is one of an economically successful, outward looking and highly adaptable area, which enjoys an outstanding natural and historic environment, where all people, working together, are able to meet their full potential and essential needs, locally as far as practicable, without prejudicing the quality of life of future generations"*. To achieve this, the

LDP sets a number of key objectives relating to the people, economy and environment of Argyll and Bute. The plan sets out a Spatial Strategy and Settlement Strategy to help deliver this vision and the Key Objectives. The Spatial Strategy includes the identification of an effective land supply to accommodate new business and retail opportunities, homes and the necessary infrastructure to support them.

- 3.22 In terms of housing the plan allocates land for over 4,450 housing units to meet the needs identified in the Housing Needs and Demand Assessment. The Plan also allows for the delivery of additional housing capacity through windfall of over 1,500 housing units. The Settlement strategy guides development to our Main Towns, Key Settlements and Key Rural Settlements, with a preference for making best use of our existing infrastructure, public transport and brownfield land whilst safeguarding our outstanding environment. This approach also helps underpin lifeline facilities and services across the Council area. New potential for homes has been introduced in the rural areas through the concept of Crofting Townships. A review of the green belt has enabled green belt release to meet the needs of the Helensburgh and Lomond Area.
- 3.23 In terms of the economy the plan promotes and guides development, with a particular emphasis on the main potential growth sectors as identified in the EDAP. A wide range of economic development locations are identified, from Strategic Industrial and Business Locations, such as Machrihanish Green Technology Hub and Dunstaffnage, to the Lorn Arc Tiff and smaller rural opportunities with 70ha of land allocated. Particular priority has been given to industry and business development within business allocation, established business and industry areas and the economically fragile areas zoned in the plan.
- 3.24 The Local Housing Strategy for 2011-16 strategic vision is ‘ to realise the potential of communities by ensuring that people have access to affordable, sufficient and suitable housing in Argyll and Bute’. In order to achieve this the Council and partners have through the Strategic Housing Investment Plan, set out how housing need will be addressed in terms of delivering new affordable housing and by making best use of existing housing stock.
- 3.25 173 new affordable homes have been completed since 2011/12 and a further 209 are currently in the planning phase and due to complete by March 2015. Total government resource planning assumptions for 2012-15 amount to £11.784m and the Council’s Strategic Housing Fund has committed £4.6m grant funding to the programme delivery. In addition the Council has made available £5m loans from reserves and housing association partners are contributing private finance.
- 3.26 The extensive research carried out in 2013 into the operation of the private rented sector highlighted the fact that affordability is a major barrier for people seeking to access the housing market across all tenures. The predominance of temporary, low paid contracts and the lack of permanent

well paid employment opportunities, outside the public sector, impacts directly on housing affordability. The high predominance of holiday and second homes inflate house prices and increase demand for the affordable rented sector. The house waiting lists currently record in excess of 3,000 applicants.

- 3.27 The housing programme provides opportunities for employment in the construction sector and helps to meet the need for affordable good quality homes. However the indications we have from the government about resource planning assumptions from 2015/16 to 2018/19 show a decline from £7.246m in 2015/16 to £3.317m in 2018/19 and consequently it may not be possible to continue to deliver the same level of affordable housing development programme beyond 2015.
- 3.28 The council is taking the lead in holding a Population Summit, due to take place in the next few months, which will bring a range of strategic stakeholders from the academic, business, government and media sectors. This summit will seek to bring the most dynamic and wide ranging views together to find solutions to the depopulation of Argyll and Bute. The event will underpin the Single Outcome Agreement action plans and enhance it by bringing national and international support to tackle the enormous challenge that is facing Argyll and Bute over the next 10 years.

4 CONCLUSION

- 4.1 Paragraphs 3.13 – 3.21 summarise current activity that is key to achieving a significant change in population and economy and in delivering on the commitment in the Single Outcome Agreement. Earlier paragraphs in this report set out the key elements and timescales around that.

5 IMPLICATIONS

- 5.1 Policy - None – Report is not noting
- 5.2 Legal - None – Report is not noting
- 5.3 Financial – None – Report is not noting
- 5.4 HR - None – Report is not noting
- 5.5 Equalities - None – Report is not noting
- 5.6 Customer Service - None – Report is not noting
- 5.7 Risk - None – Report is not noting

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