



Final report to the Members of the Council and the  
Controller of Audit on the 2016/17 audit

19 September 2017

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# Director introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Scrutiny Committee for the 2017 audit.

As detailed in our plan presented to the Audit and Scrutiny Committee on 25 May 2017, the new Code of Audit Practice, which came into force for the 2016/17 audits, sets out our responsibilities under core audit and wider scope requirements. A reminder of the requirements is set out below.

- *Opinion on the financial statements and regularity*
- *National performance audits and Best Value audits*



- *Opinion on management commentaries, remuneration reports and governance statements*

- *Public reporting and audit findings*
- *Wider scope reporting including Best Value*

# Director introduction (continued)

## The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

### Statutory audit

#### Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
  - Recognition of grant income;
  - valuation of property assets; and
  - management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 12.
- We have identified one audit adjustment from our procedures to date which have been adjusted for by management. This is also detailed in the appendices.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion.

#### Insight

- We have utilised Spotlight, **Deloitte's** patented analytics tool, to perform analytics on the journal entries posted in the year to profile the journal population, which has helped us identify journals of audit interest, such as journals posted on non-business days or journals with key words. No issues were noted from this testing.
- We have raised insights relating to the valuation of property assets which have been identified throughout the course of the audit and are detailed on page 19.

#### Status of the audit

- The audit is substantially complete subject to the completion of the following principal matter:
  - Audit of the Whole of Government Accounts (WGA) return

# Director introduction (continued)

## The key messages in this report (continued)

### Best Practice

#### Overall conclusion

- We have reviewed the management commentary with reference to the statutory guidance set out in Regulation 8(2) of The Local Authority Accounts (Scotland) Regulation 2014 and Finance circular 5/2015 The Local Authority Accounts (Scotland) Regulations 2014 – management commentary. We have confirmed that the management commentary complies with the statutory guidance requiring local authorities to include in the management commentary those matters which companies are required to disclose in a strategic report, with some modification to interpret for local authorities.
- As a new requirement in 2016/17, we are required to provide an opinion on whether:
  - information given in the management commentary is consistent with the financial statements;
  - the management commentary has been prepared in accordance with the statutory guidance;
  - information given in the annual governance statement is consistent with the financial statement; and
  - the annual governance statement has been prepared in accordance with proper practice.
- Based on the current status of our audit work, we envisage issuing unmodified opinions on the above.
- In addition to the opinion, we have read the management commentary and confirmed that the information contained is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- We have also audited the auditable parts of the remuneration report and confirmed that it has been prepared in accordance with the Regulation 8(2) of The Local Authority Accounts (Scotland) Regulation 2014.
- We note that the Council makes good use of graphs and other visual aids in line with best practice to help the users understanding of the accounts.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### Financial Sustainability

North Ayrshire Council delivered a General Fund underspend of £5.3 million in 2016/17 against a final budget of £332.9 million. This included £13.8 million of approved savings and compares with an underspend of £5.2 million 2015/16.

The **Council's** Medium Term Financial Plan is refreshed and approved annually and includes savings targets linked to the Long Term Financial Plan. The aim of this plan is to help the Council approve annual budgets that are balanced and affordable in the medium term. An estimated funding gap of £16.834 million and £14.891 million have been identified for 2018/19 and 2019/20 respectively. The Council will have to find solutions to the emerging funding gap and there is a risk that they will not be able to achieve the savings required.

The **Council's** Long Term Financial Plan was approved in August 2013 and was developed based on the identification of key risks and financial and demographic pressures. This was based on an analysis of the overall economic outlook facing the Council, national policy, Council priorities and the financial outlook in terms of available funding. The **Council's** Long Term Financial Plan aligns to the Council Plan 2015-2020.

We are satisfied that North Ayrshire Council is pro-active in respect of its short, medium and longer term financial plan although there are still significant funding gaps to be addressed.

#### Financial Management

We have reviewed internal audit reports issued in the year. From our testing throughout the audit we are satisfied that the Council has adequate systems of internal controls in place.

We are satisfied the Council has sound financial monitoring arrangements and the arrangements are sufficiently robust to capture any changes in the achievement of financial targets. The Council took part in the Deloitte Benchmarking survey which, although has limitations in identifying truly comparable data, did identify scope for efficiencies in transactional processing, month-end and year-end reporting timetables which could have the potential to free staff up to focus more on added value activities. However, we recognise that things have progressed with the introduction of Business Partnering from 1 April 2017. We also note that the Council is implementing a new ledger system from 2017/18 which may allow the Council the opportunity to review these areas.

North Ayrshire Council has a Corporate Fraud service which provides pro-active fraud prevention advice and investigates fraud within and against the Council. Additionally, the Council also participates in the NFI. No frauds have been identified from the work carried out on the 2016/17 National Fraud Initiative (NFI) exercise to date. We are satisfied North Ayrshire Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### Governance and transparency

North Ayrshire Council has governance arrangements that are appropriate and operating effectively. The Council is transparent in its decision making with reports discussed at committee meetings being made available on-line along with the minutes.

Council Committees meet regularly to review the performance (financial and non-financial) of North Ayrshire Council. From review of committee meeting minutes, we are satisfied there is scrutiny and challenge by both elected members and management of North Ayrshire Council. From our attendance at Audit and Scrutiny Committee meetings we have observed a good level of challenge and scrutiny by members and we are satisfied the Audit and Scrutiny Committee is effective.

The Audit and Scrutiny Committee provides assurance to the Council on corporate governance and financial probity. From review of committee meeting minutes, we are satisfied the Audit and Scrutiny Committee meets regularly to provide appropriate assurance to the Council.

Internal Audit provides independent assurance to elected members and management that effective governance and internal control arrangements are in place across the Council. The internal audit plan for the year is agreed by the Audit and Scrutiny Committee, with the aim of providing assurance over the adequacy, efficiency and effectiveness of the local governance, risk management and internal control framework.

From review of internal audit reports in the year, we are satisfied internal audit provides effective, independent assurance.

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#### Value for money

The Council has a well established performance management framework in place and a Performance Management Strategy which sets out the framework for improvement. In 2016/17 the Council has reported 68% of performance indicators being on target. A number of transformation programmes are in place to address areas where performance is either at risk or not on track.

North Ayrshire Council is focused on improving the quality of the services whilst achieving financial balance. The Council routinely reviews performance, tracks progress and summarises actions for improvement.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### Strategic Audit Priorities

As part of our best value work, we have considered the five Strategic Audit Priorities agreed by the Accounts Commission and have undertaken a baseline analysis of the Council's arrangements in relation to these priorities. There is an element of crossover between the Strategic Audit Priorities and the wider scope areas of financial sustainability and value for money. We have primarily focused on gaining an understanding of the Council's arrangements for demonstrating best value in financial and service planning, financial governance (as detailed in the wider scope work), resource management and its plans for transformation moving forward.

We reviewed the Council Plan 2015–2020 and the North Ayrshire Community Planning Partnership (CPP) Single Outcome Agreement (SOA), which sets out how the Council and its partners will work together to provide better services with the aim of making sure the people and communities of North Ayrshire are working, healthy and safe. We are satisfied that whilst there are different sets of outcomes, priorities and aims set out in the **Council's** Plans and the SOA, the Council has ensured that these priorities complement each other and link to supporting plans.

The Council have a strong track record in relation to transformation and have an established framework in place to manage and monitor change through the Executive Leadership Team. The Council is now focusing on delivering the T2 Programme, which aims to enable the organisation to become a leaner, more innovative and flexible organisation that is better equipped to respond to change and future challenges. This will be a key area that we will monitor over the course of our audit appointment, including how the Council ensures that projects deliver on time, on budget and most importantly, deliver the expected benefits to the citizens of North Ayrshire. We would also expect to see the Members playing a very active role in the transformation and the Council will need to ensure it has the transformational infrastructure in place, including PMO, benefits realisation tools and templates and an effective change management strategy to deliver this transformational change.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### Strategic Audit Priorities (continued)

We reviewed the **Council's** arrangements for ensuring that Members and officers have the right knowledge, skills and time to lead and manage the delivery of the Council priorities. We found that the Council place a great deal of importance of building up strong relationships with Members and providing the workforce with the support they need to achieve the **Council's** vision to be a leading organisation. We will review how the needs of officers and buy in of Members are taken into consideration as the Council implements its T2 Programme up to 2020.

We reviewed how the Council engages with its citizens and we are satisfied that it places strong emphasis on encouraging community participation in Council decision making. We will monitor how the Council will ensure that this current engagement approach plays a more significant part in making funding decisions moving forward and we would wish to see clear evidence of engagement directly impacting on council strategy through the upcoming transformation of Council services through the implementation of the T2 Programme.

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Pat Kenny  
Audit Director

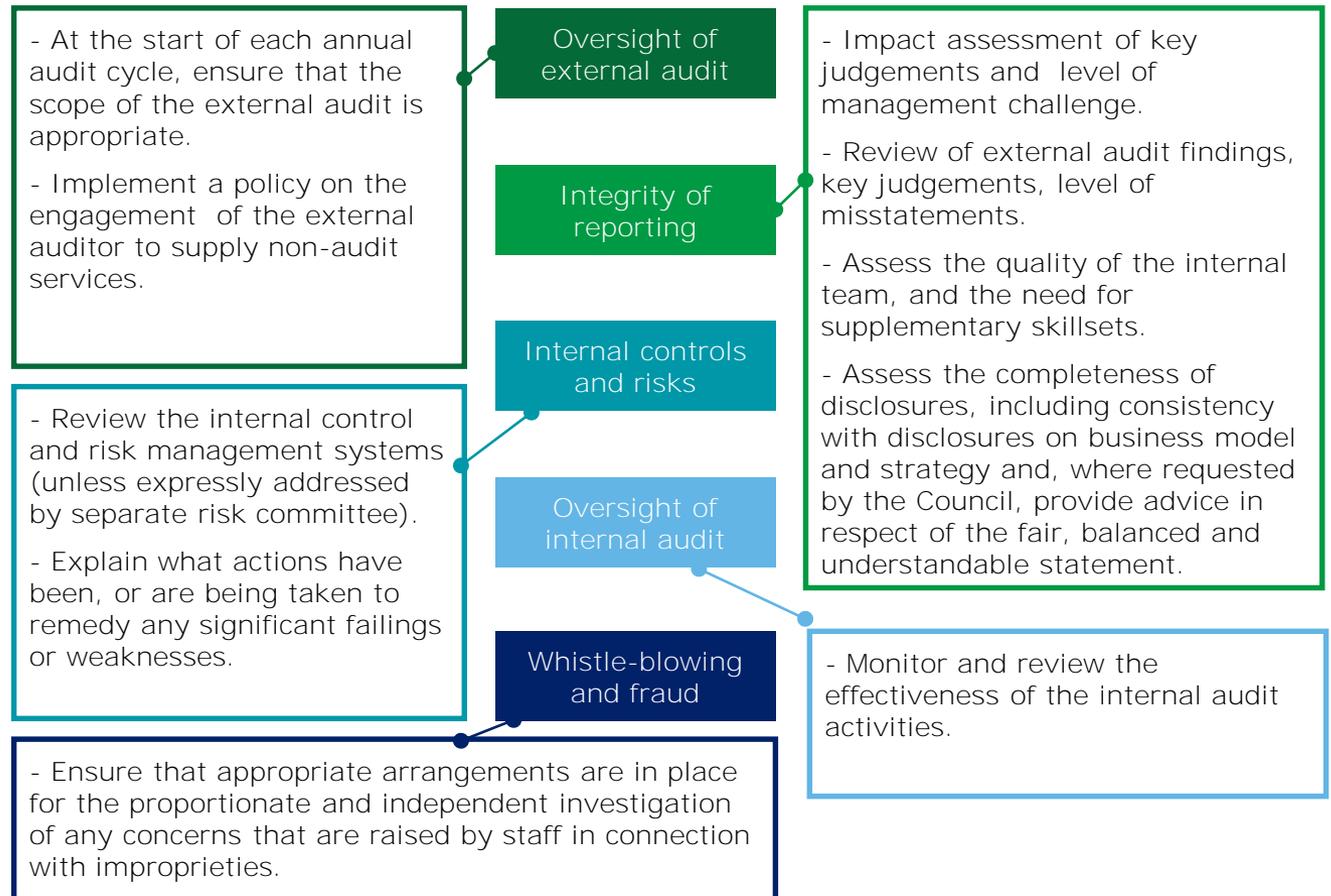
# Responsibilities of the Audit and Scrutiny Committee

## Helping you fulfil your responsibilities

The primary purpose of the **Auditor's interaction with the Audit and Scrutiny Committee:**

- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the **Audit and Scrutiny Committee's** responsibility to oversee the financial reporting process
- In addition, we seek to provide the Audit and Scrutiny Committee with additional information to help them fulfil their broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Scrutiny Committee has significantly expanded. We set out here a summary of the core areas of Audit and Scrutiny Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Scrutiny Committee in fulfilling its remit.



# Our audit explained

## Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions, being:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

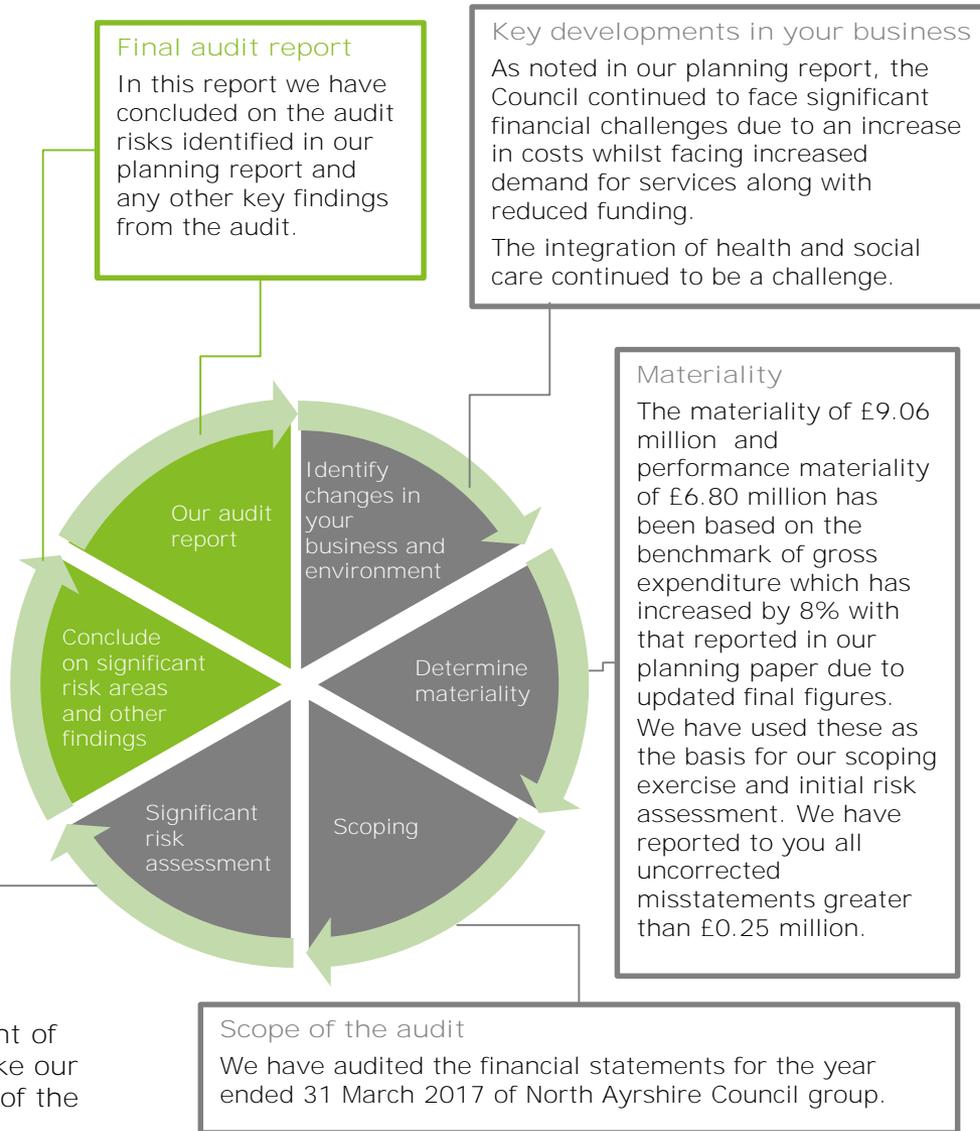
We have also considered the Strategic Audit Priorities set by Audit Scotland as well as covering the Best Value audit work.

## Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 12 provides a summary of our risk assessment of your significant risks.

## Quality and Independence

We confirm we are independent of North Ayrshire Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



## Timeline 2017



# Significant risks Dashboard

Risk	Material?	Fraud risk identified?	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Recognition of grant income			D+I	Satisfactory		Satisfactory	13
Valuation of property assets			D+I	Satisfactory		See insights	14
Management override of controls			D+I	Satisfactory		Satisfactory	15



Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

# Significant risks (continued)

## Recognition of grant income

### Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The main components of income for the Council, as summarised in the table below are the general revenue grant and non-domestic rates which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100%. The significant risk is pinpointed to the recognition of grant income (excluding the general revenue grant). Council tax, non-domestic rates and housing rent income are set through the annual budget process, with no management judgement therefore have a low risk of fraud. Similarly, other Service Income includes fees and charges across all Services, which are set through formal approval processes, with no history of fraud or error.



### Key judgements and our challenge of them

There is significant management judgement around determining if there are any conditions attached to a grant and if so whether the conditions have been met. The complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.



### Deloitte response

We have performed the following:

- assessed **management's** controls around recognition of grant income; and
- tested a sample of capital grants and contributions and grant income credited to Service Income and confirm these have been recognised in accordance with any conditions applicable.

Type of income	2016/17 (£m)	Significant risk
Taxation and Non-Specific Grant Income		
Council Tax income	47.91	
Non domestic rates	41.46	
General revenue grant	227.11	
Capital grants and contributions	25.23	✓
Service Income		
Grant income (including Housing Benefit)	86.99	✓
Housing rent	45.43	
IJB Commission income (book entry)	113.37	
Other Service Income	31.9	

### Deloitte view

We have concluded that grant income has been recognised correctly in accordance with the requirements of the Local Authority Code of Audit Practice.

# Significant risks (continued)

## Valuation of property assets

### Risk identified

The Council is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation, with the exception of Council Dwellings which are required to be measured at existing use value – social housing. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

### Key judgements and our challenge of them

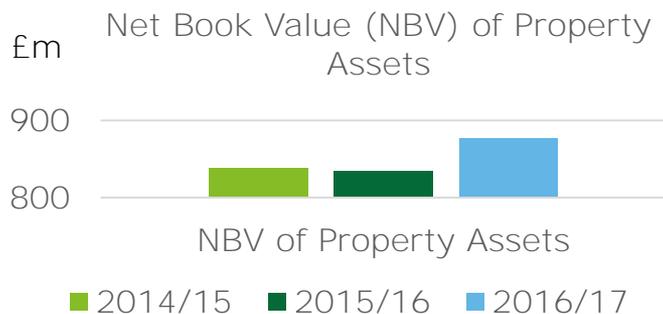


### Deloitte response



The Council held £876.5 million of property assets at 31 March 2017 which are considered for revaluation (Council Dwellings, Other Land and Buildings and Surplus Assets). The financial year to 31 March 2017 represents year 1 of a 5 year rolling programme in which 20% of the portfolio was revalued along with an interim update of the Council Dwelling valuations.

The increase in property assets in the year is mainly due to the revaluations in the year.



- We have assessed the design and implementation of controls in relation to the valuation process;
- We reviewed the revaluations performed in the year and assessed whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified independent individuals;
- We tested a sample of revalued assets and re-performed the calculation assessing whether the movement has been recorded through the correct line of the accounts;
- For those assets not subject to full revaluation during the year, we considered whether there was any indication of impairment;
- We considered assets classified as surplus or held for sale to assess whether these have been valued and disclosed in line with IFRS; and
- We involved the use of our internal property specialists to review and challenge the assumptions and methodology adopted by the **Council's** internal valuation specialists, including sample testing of inputs to the valuation.

### Deloitte view

We have concluded that the NBV is not materially misstated. For those assets revalued during 2016/17, the **Council's** valuation assumptions are in line with other Councils and fall within the expected range highlighted by Deloitte Real Estate. We have, however, noted a number of areas in relation to the valuation process which need to be addressed to ensure that no material errors arise in future years. The key points are summarised on page 19.

# Significant risks (continued)

## Management override of controls

### Risk identified

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.



### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- the **Council's results** throughout the year were projecting to stay within budget and this was closely monitored with confidence that the Council would be able to meet its overall financial targets.
- Senior **management's remuneration** is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### Deloitte view

- We have not identified any significant bias in the key judgements made by management.
- The control environment is appropriate for the size and complexity of the Council.

### Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. No issues noted from our testing.

### Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of **management's judgements and assumptions relating to significant estimates reflected in last year's financial statements** completed with no issues noted.

### Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

# Other matters

## Defined benefits pension scheme

### Background

The Council participates in three defined benefits schemes:

- The Local Government Pension Scheme;
- the Scottish **Teachers'** Pension Scheme; and
- the Pre-LGR Pension Scheme.

The net pension liability has increased from £151.31 million in 2015/16 to £248.41 million in 2016/17 mainly as a result of an increase in the discount rates applied, offset to some extent by a slight increase in some inflation adjustments.



### Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts;
- we reviewed and challenged the assumptions made by Hymans Robertson;
- we assessed the reasonableness of the **Council's** share of the total assets of the scheme with the Draft Pension Fund financial statements;
- we reviewed the disclosures within the accounts against the Code;
- we assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; and
- we liaised with our in-house actuary regarding their assessment of the key assumptions.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.60	2.50	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40	3.20	Reasonable, slightly prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.40	2.20	Reasonable, slightly prudent
Salary increase (% p.a.) (over RPI inflation)	1.00	Council specific	Optimistic
Pension increase in payment (% p.a.)	2.40	2.20	Reasonable, slightly prudent
Pension increase in deferment (% p.a.)	2.40	2.20	Reasonable, slightly prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	22.10	21.20	Reasonable, slightly prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	24.80	23.00	Reasonable, slightly prudent

### Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and lies towards the slightly prudent end of the reasonable range of assumptions when compared with the Deloitte benchmarks. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

# Other matters (continued)

## Charitable trusts

### Risk identified

From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each Charity, and a separate audit of each. North Ayrshire Council administers 10 such registered charities.

As the gross income of each trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities Statement of Recommended Practice (SORP) accounts are therefore not required and disclosure is limited to that specified in the Regulations.

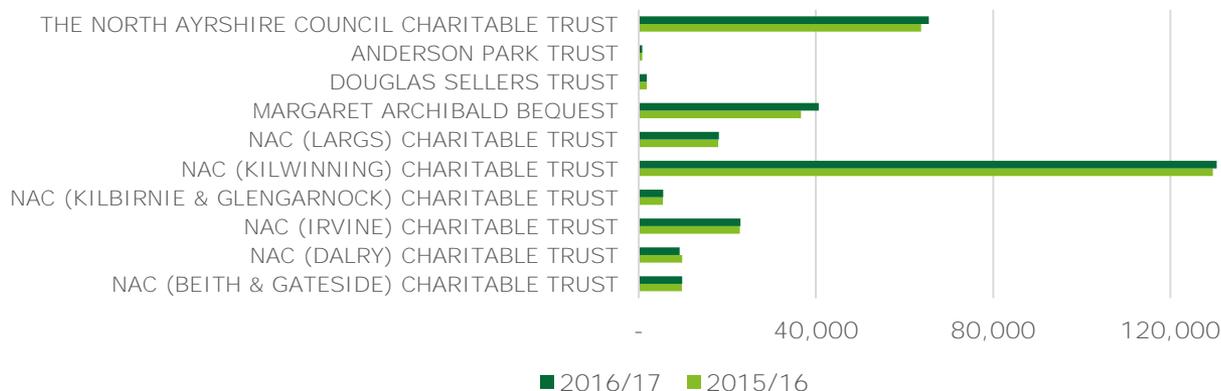


### Deloitte response

We have assessed that the statement of receipts and payments and the statement of balances have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006. No issues have been noted.

A summary of the charitable trusts that have been audited is provided in the table below. We note that there has been very little movement in these trusts over the last 12 months, with the movements largely relating to interest from investments held. We would encourage the Council to ensure that appropriate plans are in place to ensure these funds are used in accordance with the donors wishes.

Charitable Trust balances (£)

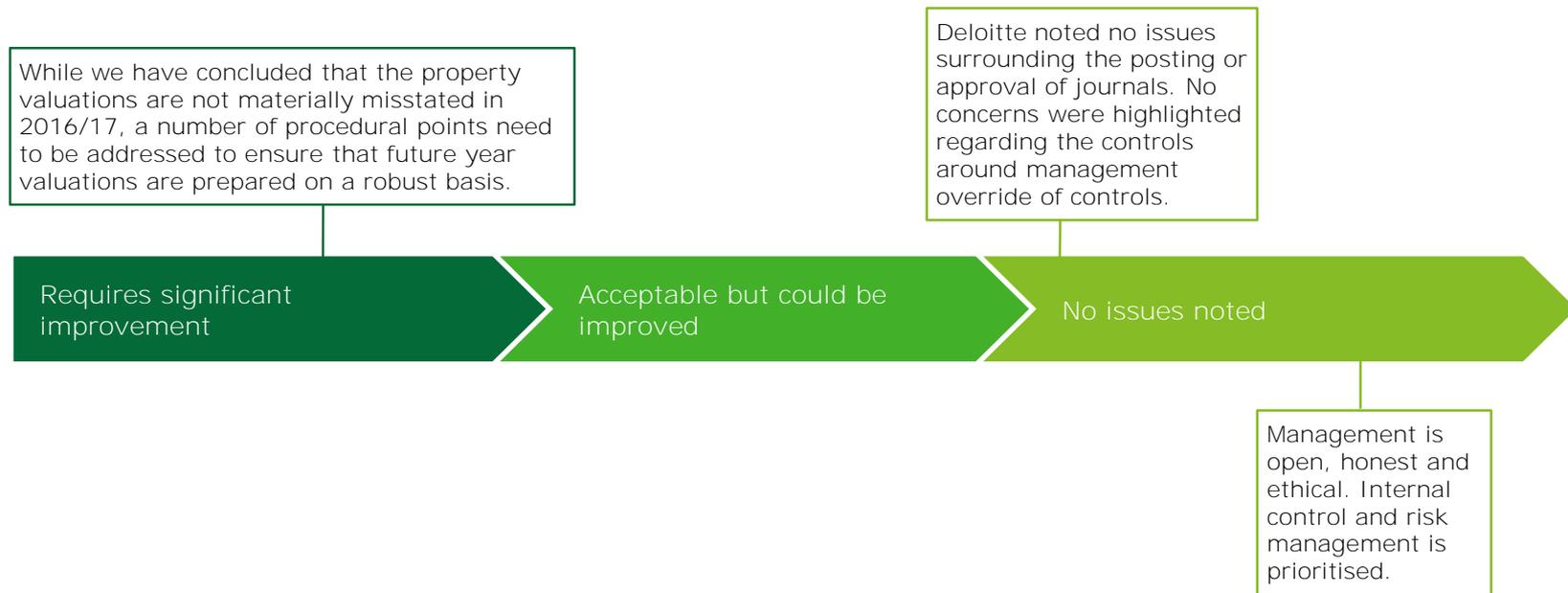


**Deloitte view**  
No issues noted from our testing of the charitable trusts accounts in the year, which were found to be correctly accounted for in accordance with the Regulations.

# Other significant findings

## Internal control and risk management

ISA 315.12 (UK and Ireland) requires we obtain an understanding of internal control relevant to the audit. It is a matter of the **auditor's** professional judgment whether a control, individually or in combination with others, is relevant to the audit. We do not test those controls we do not consider relevant to the audit. Below we provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to the audit risks that we have identified.



### Deloitte view

In our view, financial management, governance and general control in the Council is of a reasonable standard, recognising that the Council has implemented a new financial ledger system from 1 April 2017 which should help improve the efficiency of finance processes and the audit trail of transactions. This is discussed further under our consideration of financial management on page 25.

# Other significant findings (continued)

## Insights delivered

We welcome this opportunity to set out for the Audit and Scrutiny Committee our observations from our substantive audit procedures. Below are other insights we have identified from our audit.

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Insight	Deloitte response
<p>From our property specialists review of the valuations performed in the year, a number of recommendations have been made in relation to the valuation process. A meeting has been held with both the finance and estates team to discuss the findings in detail who have agreed to take forward the recommendations.</p>	<p>Following the meeting held in August, we have provided a comprehensive list of the points raised for management to action as a result of our audit work on the property valuations. These have therefore not been replicated here, but the key themes noted are:</p> <ul style="list-style-type: none"><li>• We have recommended that given the level of values involved, the valuation process should be led by a qualified and RICS (Royal Institute of Chartered Surveyors) Registered Valuer, experienced in the preparation of such valuations.</li><li>• A formal terms of engagement should be put in place between the finance and the estates team and updated annually to agree the scope of the asset valuation work.</li><li>• Supporting evidence should be maintained of key judgements and rationale used in preparing the valuations.</li><li>• The annual review of surplus assets, assets held for sale and investment assets as well as the annual impairment/ enhancement review should be clearly evidenced.</li></ul>

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# Your annual report

We welcome this opportunity to set out for the Audit and Scrutiny Committee our observations on the annual report. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Management response	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The council also focusses on the strategic planning context.	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance. No exceptions noted.</p> <p>We have also read the management commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Councillors and Senior Employees of the Council.	We have audited the disclosures of remuneration and pension benefit, pay bands, and exit packages and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that North Ayrshire Council governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

# Wider scope requirements

## Financial sustainability

### Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Areas considered



- The financial planning systems in place across the shorter and longer terms
- The arrangements to address any identified funding gaps
- The affordability and effectiveness of funding and investment decisions made

### Deloitte response



**We have monitored the Council's actions in respect of its short, medium and longer term financial plans to assess whether short term financial balance can be achieved, whether there is a long-term (5-10 years) financial strategy and if investment is effective.**

As set out on pages 31 to 43, as part of our best value work and consideration of the Strategic Audit Priorities, we have also **assessed the Council's performance in undertaking transformational change, reliance on reserves and achievement of savings targets.**

### Deloitte view

As discussed further on pages 31 to 43, The Council has a clear process in place for long term and medium term financial planning and the current level of reserves held is within the best practice threshold. The planned use of reserves to fund investments will be sustainable in the short term, however, going forward, the Council should continue to ensure that such an approach is taken only where the level of reserves can continue to be maintained within recommended levels.

The Council has achieved significant savings over the last 6 years, however due to increasing demand for services and the continuing restraint in relation to Council funding settlements, it will have to consider how it can transform service delivery through its T2 Programme in order to minimise the impact on citizen with reducing budgets.

# Wider scope requirements (continued)

## Financial sustainability (continued)

### Revenue budget

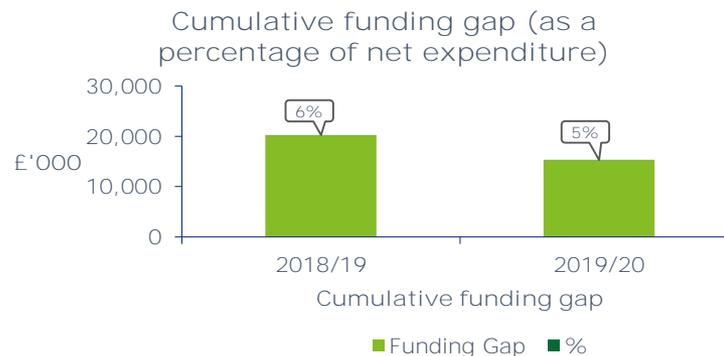
The Council delivered a General Fund underspend of £5.3 million in 2016/17 against a final budget of £322.9 million. This included £13.8 million of approved savings and compares with an underspend of £5.2 million 2015/16.

The 2017/18 budget was approved by the Council on 1 March 2017. This budgeted net expenditure of £331.158 million incorporated £7.138 million budget savings to meet the forecast budget gap. A number of risks have been identified by the Council when compiling the budget, being:

- The potential impact of the current economic climate
- Uncertainty around future funding levels
- Impact of demographic changes
- Impact of welfare reform
- Future workforce costs
- Delivery of approved savings; and
- Managing service delivery within approved resources.

As part of the revenue budget exercise for 2017/18, the Council concluded a full review of previous projections for 2017/18 and 2018/19, and provided analysis for 2019/20. For 2017/18 the review provided a balanced budget for 2017/18, with indicative funding gaps remaining for 2018/19 and 2019/20 of £20.173 million and £15.270 million respectively.

The **Council's** Medium Term Financial Plan is refreshed and approved annually and includes savings targets linked to the Long Term Financial Plan. The aim of this plan is to help the Council approve annual budgets that are balanced and affordable in the medium term.



As part of the budget paper that was presented to the Council in March 2017, proposed efficiencies and savings, excluding the Health and Social Care Partnership, were set out for future years, amounting to £1.185 million for 2018/19 and £1.294 million for 2019/20. The Council noted that work is already underway to identify options to bridge the anticipated funding gap for 2018/19 and 2019/20.

### Reserves

The **Council's** Usable Reserves balance has increased by £1.577 million in the year to £57.3 million at 31 March 2017. This has been achieved mainly as a result of the surplus on the provision of services of £2.446 million (as discussed on page 24).

Further consideration of the **Council's** reserves is discussed on page 36.

# Wider scope requirements (continued)

## Financial sustainability (continued)

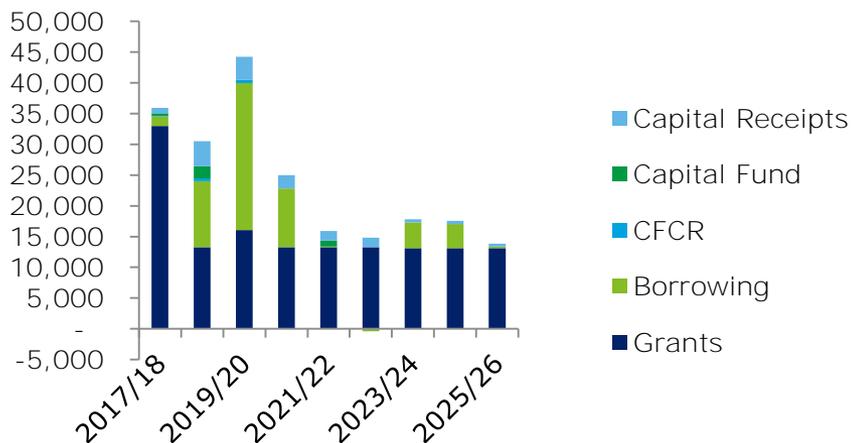
### Capital budget

The Capital Investment Programme for the period 2017/18 to 2025/26 was also approved as part of the budget meeting in March 2017.

The plan for the next 9 years is shown below. A review has been undertaken and has resulted in the re-profiling of a number of projects to better reflect current project timelines.

Prudential borrowing costs associated with the programme, as noted in the graph below are included within the 2017/18-2019/20 revenue budgets and loans fund reserves. The Treasure Management and Investment Strategy also reports the prudential indicators for the period 2019 to 2026.

9 year capital investment plan (£'000)



A summary of the key investments is noted below:

- Investment in the [Learning Environment](#), including Irvine Royal Academy, Kilwinning Academy and Auchendarvie Academy; the development of the secondary school estate including Largs Campus and Ardrossan Academy; development of state of the art school provision for young people with additional support needs and extension to Moorpark Primary School.
- Support for the [Economy](#), including investment in Quarry Road, Irvine Enterprise Area, investment in town centres and the Ayrshire Growth Deal.
- Tarryholme Drive Project is a [partnership](#) initiative between North Ayrshire Council and NHS Ayrshire and Arran.
- Millport Coastal and Upper Garnock flood prevention schemes.

# Wider scope requirements (continued)

## Financial management

### Audit dimension

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



### Areas considered

- Systems of internal control
- Budgetary control system
- Financial capacity and skills
- Arrangements for the prevention and detection of fraud



### Deloitte response

We have reviewed the budget and monitoring reporting to the Council during the year to assess whether financial management and budget setting is effective.

We invited North Ayrshire Council to take part in the Deloitte benchmarking survey to assess the level of financial capacity and skills within the Council.

Our fraud responsibilities and representations are detailed on page 54.

### Deloitte view

We have reviewed internal audit reports issued in the year. From our testing throughout the audit we are satisfied that the Council has adequate systems of internal controls in place.

We are satisfied the Council has strong financial monitoring arrangements and is robust enough to sufficiently capture any changes in the achievement of financial targets.

North Ayrshire Council has a Corporate Fraud service which provides pro-active fraud prevention advice and investigates fraud within and against the Council. Additionally, the Council also participates in the NFI.

We are satisfied North Ayrshire Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

# Wider scope requirements (continued)

## Financial management

### Revenue expenditure

	2016/17 Budget £'000	2016/17 Actual £'000	2016/17 Variance £'000
Gross Expenditure	322.916	317.340	(5.576)
Income	(322.916)	(322.686)	230
Deficit/ (Surplus)	-	(5.346)	(5.346)

The final outturn for 2016/17 was an overall underspend of £5.346 million, which included £2 million of planned expenditure financed from reserves together with a planned contribution to the loans fund reserve of £0.8 million.

The key reasons for the underspend were:

- Resources set aside for the expansion of Additional Early Learning and Childcare for 2 year olds and free school meals had been less than anticipated with the funds to the recycle blue bins contract no longer required;
- Vacancy management and the early delivery of future year efficiencies;
- The impact of general inflation being less than anticipated at the start of the year; and
- Higher than budgeted income across a range of services.

### Capital expenditure

In terms of capital expenditure, a final outturn of £48.7 million was reported against a budget of £52.3 million, an underspend of £3.6 million.

£2.9 million of expenditure is required to be carried forward across a number of projects.

Several major projects were completed successfully during the year including the Portal and Garnock Campus with excellent progress being made on the Largs Campus and development progressing the Irvine Enterprise Area, Quarry Road and Tarryholme Drive.

# Wider scope requirements (continued)

## Financial management (continued)

North Ayrshire Council took part in the [Deloitte Finance Function Benchmarking Survey](#) and a detailed report has been provided to management for consideration. As with any benchmarking there are limitations due to the varied organisations who respond but does provide some useful insights.

The benchmarking revealed that the Council performs well against its comparators in a number of areas, in particular how most of the core services are provided, the size of the finance function and its technical capability.

Leading practice finance functions have tended to get more involved in driving strategic decision making and our results showed that the Council was slightly behind this trend, however, we recognise that things have progressed with the introduction of Business Partnering from 1 April 2017. Effective partnering between finance and the rest of the organisation is essential, particularly given the current financial climate and need to demonstrate and contribute to value for money therefore it is positive to note that the Council has taken this forward.

There is also scope to improve the analytical capabilities of the finance function to support this strategic decision making.

The results of the survey also highlighted that there may be scope for efficiencies in transactional processing, month-end and year-end reporting timetables which could have the potential to free staff up to focus more on added value activities. We note that the Council is implementing a new ledger system from 2017/18 which may allow the Council the opportunity to review these areas.

# Wider scope requirements (continued)

## Governance and transparency

### Audit dimension

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

### Areas considered



- Governance arrangements
- Scrutiny, challenge and transparency in decision making and financial and performance reports
- Quality and timeliness of financial and performance reporting

### Deloitte response



We have reviewed the financial and performance reporting to the Council during the year and noted no issues with the quality and timeliness of these reports.

We have reviewed the minutes of all Committee meetings to assess the effectiveness of the governance arrangements and the level of scrutiny and challenge. Our attending at Audit and Scrutiny Committees has also informed our work in this area.

We have reviewed the governance of the Medium Term Financial Plan and the benefit realisation process.

As part of our consideration of the strategic audit priorities on pages 31 to 43, we have also considered whether the Council has clear priorities that set its strategic direction and how it ensures that Members and officers have the right knowledge, skills and time to lead and manage the delivery of the Council priorities.

# Wider scope requirements (continued)

## Governance and transparency (continued)

### Deloitte view

We confirm that we have reviewed the arrangements and have identified no issues in this regard.

- From our review of the internal audit plan for 2016/17 and audit reports, we are satisfied that there are appropriate systems of internal control in place and no significant weaknesses have been identified. Appropriate disclosure has been made in the annual governance statement of issues identified from the work of internal audit and action being taken.
- We are comfortable with the fraud arrangements in place and confirm we have not been made aware of any financially significant frauds in the year.
- We have identified no issues with regard to the arrangements for maintaining standards of conduct and the prevention and detection of corruption.
- Following a local by-election in August 2016, political control of the Council moved from the Scottish National Party to the Labour Party. The North Ayrshire (Electoral Arrangements) Order 2016 was agreed by Scottish Ministers in September 2016 and resulted in an increase in the number of Elected Members from 30 to 33 and an increase in the Electoral Wards from 8 to 10 at the Local Elections in May 2017. This has been appropriately disclosed within the Annual Governance Statement.

We have also considered the Council priorities, transformation plans and members and **officers'** knowledge, skills and resources as part of our work on the Strategic Audit Priorities which is discussed further on pages 31 to 43.

# Wider scope requirements (continued)

## Governance and transparency (continued)

### Internal Audit

The **Council's** Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have reviewed all internal audits presented to the Audit and Scrutiny Committee and the conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

The Public Sector Internal Audit Standards require that the Senior Manager (Internal Audit, Risk and Fraud) develops a Quality Assurance and Improvement Programme (QAIP). The purpose of this QAIP is to enable evaluation of the Internal Audit **team's** conformance with the Standards.

The Scottish Local Authorities Chief Internal **Auditors'** Group (SLACIAG) has developed an External Quality Assessment Framework to satisfy this requirement for five yearly external assessment.

During 2016/17, a report was presented which set out the findings arising from the external assessment undertaken by Falkirk **Council's** Internal Audit, Risk and Corporate Fraud Manager in December 2016. This concluded that it can provide substantial assurance on the North Ayrshire Council Internal Audit **team's** compliance with Public Sector Internal Audit Standards. It found that the team fully confirms with eleven Standards and generally conforms with the remaining two.

### Following the public pound

The statutory requirements to comply with the Following the Public Pound Code, in conjunction with the wider statutory duty to ensure Best Value, means that Councils should have appropriate arrangements to approve, monitor and hold third parties accountable for public funding provided to them.

We have considered the appropriateness of the **Council's** arrangements to meet their obligations to comply with the Code and note the following:

- Consideration of the arrangements included within the Internal Audit plan. The Internal Audit team carries out a number of reviews on an annual basis linked to 'Following the Public Pound', including reviews of Community Council, Tenants and Residents Association and Community Association accounts during 2016/17. An overall review of the Council's arrangements will be carried out, linked to a national refresh of the Following the Public Pound Code.
- In response to the procurement legislation and accompanying Regulations, the Council has published its Contracts Register, representing a statement of current contracts and expected end dates.

# Wider scope requirements (continued)

## Value for money

### Audit dimension

Value for money is concerned with using resources effectively and continually improving services.

### Areas considered



- Value for money in the use of resources
- Link between money spent and outputs and the outcomes delivered
- Improvement of outcomes
- Focus on and pace of improvement

### Deloitte response



**We have gained an understanding of the Council's** self-evaluation arrangements to assess how it demonstrates value for money in the use of resources and the linkage between money spent and outputs and outcomes delivered.

We have also considered the arrangements the Council has in place to monitor how it is achieving its targets and addressing areas of poor performance.

### Performance management

The Council has a Performance Management Strategy which sets out the framework for its improvement journey. This framework supports continuous improvement and measures delivery of the **Council's** Mission, Vision and Outcomes. The **Council's** Performance Management Forum, which was refreshed during 2016/17, leads development of the approach to performance management.

We have considered this further as part of our work on the Strategic Audit Priorities at page 42.

### Deloitte view

There is a clear framework in place to ensure that Council performance is monitored and reported.

Performance information is readily available to North Ayrshire citizens and the provision of the interactive '**North Ayrshire Performs**' portal allows this information to be presented in a way that is visually interesting. We note, however, that there is scope to improve the links from spend to outcomes.

We are satisfied that the performance is appropriately discussed within the Management Commentary in the Annual Accounts and management have introduced plans to address areas where progress has not been satisfactory.

# Wider scope requirements (continued)

## Value for money (continued)

### Statutory performance indicators

The Local Government Act 1992 lays a duty upon each council to ensure that it has in place such arrangements for collecting, recording and publishing performance information that will allow it to comply with a Direction from the Commission.

The appointed **auditor's** statutory duty in relation to the performance information is set out in the Local Government (Scotland) Act 1973. The **auditor's** duty is to be satisfied that the council "*has made adequate arrangements for collecting and recording information, and for publishing it as required for the performance of their **duties***".

At its meeting in June 2015 the Commission agreed that its 2015 SPI direction needed to reflect the **Commission's** on-going commitment to sector-led benchmarking and improvement and its approach to the next iteration of the local government Best Value audit approach, in particular the tone of continuous improvement and outcomes.

On that basis, the Commission agreed to endorse a strategy incorporating the following principles:

- a longer-term Statutory Performance Indicator Direction;
- a recognition of the increasing maturity of, and the **Commission's** support for the further development of the Local Government Benchmarking Framework; and
- incorporating the assessment of **council's** approaches to public performance reporting (PPR) as an integral element of the new approach to auditing Best Value, rather than undertaking separate annual assessments of this aspect of **Council's** performance.

The 2015 Direction was approved in December 2015 covering the financial years ending 31 March 2017-2019.

#### Deloitte view

We have considered the adequacy of the **Council's** arrangements for collecting, recording and publishing accurate and complete information and noted no issues.

# Wider scope requirements (continued)

## Health and social care partnership

Following the establishment of a Shadow Integration Board on 1 April 2014, 2015/16 saw the first year of North Ayrshire Integration Board (IJB), with the IJB being established from 1 April 2015. As part of our separate audit work of the IJB, we have reviewed the current arrangements and plans in place to develop the Health and Social Care Partnership with NHS Ayrshire and Arran. Our key findings are summarised below:

### Financial sustainability

The IJB's final outturn position for 2016/17 reported an overspend of £3.245 million against the approved budget. The overspend was largely in relation to social care services, and has been carried forward and will need to be recovered by the IJB in future years.

For 2018/19 and 2019/20, the budget shortfall as detailed in the Medium Term Financial Plan (MTFP), increases to £24.9 million and £39.2 million respectively. The MTFP sets out plans under five key strands to start to bridge the gap, with £15.3m of options identified to date. In addition, in support of the clear recognition for the need for change, North Ayrshire Council, working with the Partnership, has established a Challenge Fund which will be accessed by the Partnership to undertake Transformation Projects.

It is positive to note the work done to date on the medium term financial plan and the Challenge Fund, therefore it is critical that this is progressed to realise the savings in future years. The most up to date financial position for 2017/18 has highlighted a potential closing deficit of £8.110 million, comprising the current year projected overspend of £4.865 million and the overspend of £3.245 million which has to be recovered. It is therefore also critical that the Board agrees and implement mitigating actions as a matter of urgency to address this and ensure that services are delivered within the resources delegated.



### Financial management

From our review of internal audit reports issued in the year, both from the IJB itself and from the two partner bodies and from our testing throughout the audit, we note that the IJB has adequate systems of internal controls in place.

While the IJB reported an overall overspend for 2016/17, this was regularly reported to the Board throughout the year in the financial performance reports. A similar position is emerging in 2017/18, with a projected overspend of £4.865 million. The Board therefore need to ensure that when the Medium Term Financial Plan is updated, that the assumptions which underpin the budget are reflective of demand, taking into account the funding available to deliver services. The Board should also assess the effectiveness of operational budget management to secure delivery of services within the budget which has been set.

# Wider scope requirements (continued)

## Health and social care partnership (continued)

### Governance and transparency

The IJB has governance arrangements that are appropriate and operating effectively. It is transparent in its decision making with reports discussed at Board meetings being made available on-line along with the minutes of the meetings. The Board meets once every quarter to review the performance of the IJB. From review of the board meeting minutes, we note there is scrutiny and challenge by both executive and non-executive members of the IJB.

### Value for money

The IJB self-evaluates through Performance Reports, which are prepared annually and are reviewed by the Performance and Audit Committee. The IJB also self reviews every quarter as part of the management accounts.

The overall approach adopted is that performance management is integral to the delivery of quality and effective management, governance and accountability. The need for transparent and explicit links of performance management and reporting within the organisational structure at all levels is critical. There is a framework of measures which clearly link the five strategic priorities with the nine national health and wellbeing outcomes.

### Deloitte view

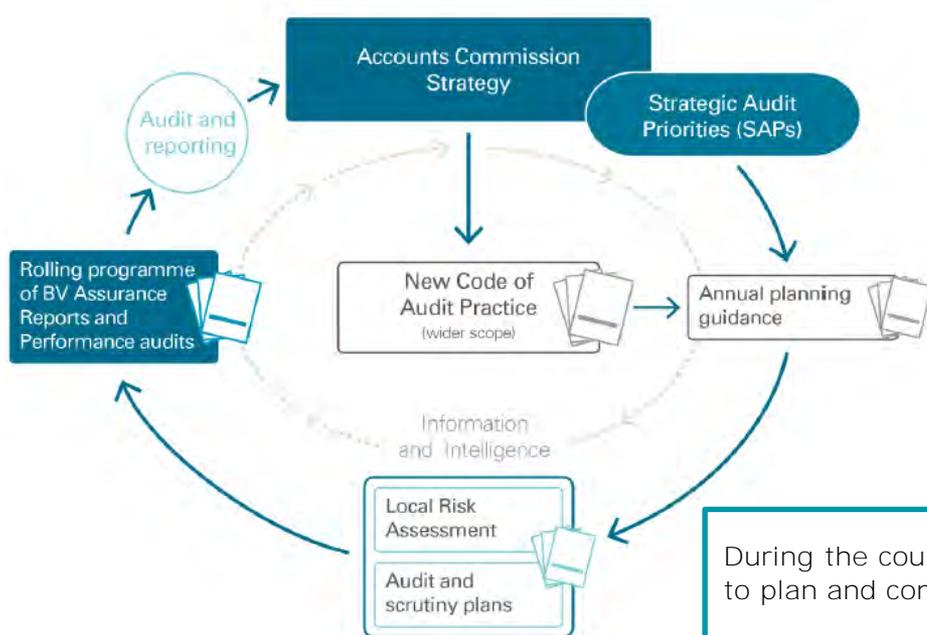
Recognising the relatively early stage of the Board, it is positive to note the work done to date in developing the governance and performance arrangements. However, the long term financial sustainability of the Board is still a significant risk, particularly given the current projected position for 2017/18 and the deficit carried forward from 2016/17 which still needs to be recovered. It is therefore critical that the Board work closely with both the Council and NHS Ayrshire and Arran to agree mitigating actions to ensure that services are delivered in line with the resources available.

# Wider scope requirements (continued)

## Strategic audit priorities

The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR report for North Ayrshire Council is planned for later in the five year programme.

This new approach fulfils the **Commission's** desire that it is proportionate, risk-based and outcome-focused, providing the Commission and the public with more regular assurance about the performance of Councils. Audit Scotland is bringing together audit work on Best Value, the annual financial audit and the multi-agency shared risk assessment process, and this will continue to support its work with its strategic scrutiny partners. The audit planning framework is set out below.



The objectives of the new approach include:

- greater emphasis on driving continuous improvement in Councils;
- greater emphasis on the performance, outcomes and impact made by a Council;
- maintaining a proportionate and risk based approach;
- Performance Audit Best Value (PABV) and local auditors working together, and liaising with other scrutiny body representatives on an ongoing basis; and
- emphasising that it is first and foremost a **Council's** responsibility to demonstrate that it is meeting its statutory duties, and that its own self evaluation can accurately show its level of performance and that the pace, depth and continuity of its improvement is appropriate.

During the course of the year, we have worked work closely with PABV staff to plan and complete this work.

In addition, to inform the Controller of **Audit's** Annual Assurance and Risk Report to the Accounts Commission, we will submit a data return covering our audit work by 2 October 2017.

# Wider scope requirements (continued)

## Strategic audit priorities (continued)

As noted on page 31, the Accounts Commission has reviewed its strategic planning arrangements and has agreed five Strategic Audit Priorities that we have built into audit expectations. These are set out below.

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### Council priorities and long term planning

The clarity of Council priorities and quality of long-term planning to achieve these.

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### Service delivery

How effectively Councils are evaluating and implementing options for significant changes in delivering services.

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### Resource

How effectively Councils are ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of the council priorities.

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### Citizen involvement

How effectively Councils are involving citizens in decisions about services.

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### Quality of public performance reporting

The quality of Council public performance reporting to help citizens gauge improvement.

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Areas considered



There is an element of crossover between the Strategic Audit Priorities and the wider areas of financial sustainability and value for money. We have primarily focused on gaining an understanding of the Council's arrangements for demonstrating best value in financial and service planning, financial governance (as detailed in the wider scope work), resource management and its plans for transformation moving forward.

During the 2016/17 audit, we have worked with our colleagues in PABV to understand the **Council's** baseline position across these Strategic Audit Priorities. We will be able to use this baseline to monitor performance and improvement against these priorities across the next five years.

The approach undertaken included interviews with senior officers and other personnel across the Council, observance of committee meetings and review of documents such as Council Corporate Plan, Medium Term Financial Plan, Council communications, consultations and performance data.

# Wider scope requirements (continued)

## Council priorities and long term planning

Does the Council have clear priorities that set the strategic direction?

The communities that make up North Ayrshire Council are varied: more than three-quarters of the 137,000 residents live in urban areas or accessible small towns, with the remaining population living in rural areas

Similar to most Councils, North Ayrshire Council is facing several challenges ranging from a change in demographics, funding cutbacks and poverty and deprivation. To make North Ayrshire a great place to live, work and invest, the Council has compiled a Council Plan. It is within this plan that their ambitions and aspirations have been outlined and the plan sets out how the Council intends to work with their local communities and partners to achieve and deliver their vision which is:

Vision:  
"To be a leading organisation defined by excellent and innovative services."

The Council Mission and strategic priorities seek to address the challenges it face and maximise opportunities to improve outcomes for all of its residents.

Mission:  
"To improve the lives of North Ayrshire people and develop stronger communities."

The Council has identified five strategic priorities, detailed overleaf, which support this mission. For each priority there are targets that the Council aims to achieve by 2020, along with associated actions and measures.

The Council is part of the North Ayrshire Community Planning Partnership (CPP). The CPP Single Outcome Agreement (SOA) sets out how the Council and its partners will work together to provide better services with the aim of making sure the people and communities of North Ayrshire are working, healthy and safe.

The Council Plan and SOA are supported by Directorate Plans and a variety of service strategies, investment and management plans, as shown on the following page. These plans and strategies set out what the Council wants to achieve, how they will deliver this and the resources needed to secure the desired outcome. They are linked by a **'golden thread'** which shows how the plans fit together and how the strategic objectives of the Council and its partners connect to actions of manager and staff at all levels of the organisation.

### Deloitte view

Whilst there are different sets of outcomes, priorities and aims set out in the Council's Plans and the SOA, the Council has ensured that these priorities complement each other and link to supporting plans.

# Wider scope requirements (continued)

## Council priorities and long term planning (continued)

Does the Council have clear priorities that set the strategic direction?

### North Ayrshire Council's priorities

North Ayrshire Council uses a 'golden thread' to link the Single Outcome Agreement priorities and Corporate Plan priorities.

#### Single Outcome Agreement Plan Priorities

Vision: North Ayrshire – A Better Life

#### Priorities

- A Working North Ayrshire
- A Healthy and Active North Ayrshire
- A Safe and Secure North Ayrshire

#### Corporate Plan Strategic Priorities

Vision: To be a leading organisation defined by excellent and innovative services

Mission: To improve the lives of North Ayrshire people and develop stronger communities

#### Strategic Priorities

- Growing the economy, increasing employment and regenerating towns
- Working together to develop stronger communities
- Ensuring people have the right skills for learning, life and work
- Helping all of our people to stay safe, healthy, and active
- Protecting and enhancing the environment for future generations

#### Supporting documents

- Neighbourhood Plans
- Directorate Plans: Democratic Services, Education & Youth Employment, Economy & Community, Place and Finance & Corporate Support
- Strategic Plans within Directorates
- Health and Social Care Partnership Strategic Plan
- Medium and long term financial plans

#### Supporting strategies

- There are numerous supporting Council strategies including: Performance Management Strategy, Financial Strategy, Treasury Management & Investment Strategy and People Strategy.

# Wider scope requirements (continued)

## Council priorities and long term planning (continued)

Does the Council have a good process in place for long term financial planning?

### Long Term and Medium Terms Financial Plans

The Council had a Long Term Financial Plan (LTFP) that was approved in May 2013 to service the period 2013/14 to 2022/23. The Council has recently revised this plan and will be presented to Council in October 2017.

The primary objective of the financial strategy is to ensure longer term financial sustainability that will allow appropriate investment in priority services. The LTFP is also linked to the Medium Term Financial Plan (MTFP), which is carried out on a rolling three year basis, and will be refreshed in 2017/18 for the period up to 2020/21.

### Planning Process

The financial plans are being developed based on the identification of key risks and financial and demographic pressures. This was based on an analysis of the overall economic outlook facing the Council, the national policy landscape, Council priorities and the financial outlook in terms of available funding.

The Council partnered with the Consultation Institute, a not-for profit best practice body who promote high quality public and stakeholder consultations. Through this programme the Council facilitated consultation with members of the community and to obtain feedback on key issues, including their financial planning. The Council also initiated Participatory Budgeting pilots to provide an inclusive way for Local Communities to decide how they want to spend public funds. These pilots involved Community Planning Partners such as the Fire Service, the NHS and the Third Sector, as well as members of community representatives and young people.

### Deloitte view

The Council has a clear process in place for long term and medium term financial planning. This process includes significant efforts to enable community participation and ensure that the financial plans link to the **Council's** vision and priorities.

# Wider scope requirements (continued)

## Council priorities and long term planning (continued)

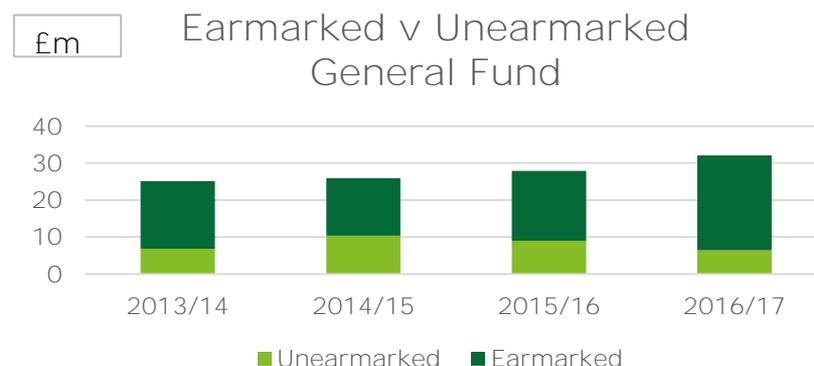
Does the Council have a sustainable policy in place for the use of reserves?

The Council has included a Reserves Strategy within their LTFP and the Reserves Strategy is reviewed annually.

Best practice recommends that local authorities should retain uncommitted reserves of between 2% and 4%, which is equivalent to between £6.4m and £12.8m for the Council, with an expectation that the level of reserves reflecting the risk and uncertainty that the local authority faces. As at 31 March 2017 the Council had an uncommitted General Fund balance of £8.9m, equivalent to 2.8% of the **Council's** annual budgeted expenditure.

Moving forward the Council has agreed to retain unearmarked reserves at 2% of budgeted net expenditure, equivalent to £6.4m, with the balance of 0.8% reserves (£2.5m), to be earmarked to support a range of non-recurring investments during 2017/18. The £2.5m has been earmarked to establish the Health and Social Care Partnership Challenge Fund.

The Council has decided to keep their reserve strategy under review as the level of earmarked reserves is expected to reduce over the next few years due to the delivery of commitments.



### Deloitte view

The **Council's** level of reserves as at 31 March 2017 was within the best practice threshold and whilst the planned use of reserves to fund investments will be sustainable in the short term, it is noted that a strategy of holding uncommitted reserves at 2% of budgeted net expenditure moving forward is at the lowest end of the best practice percentage. It is noted that the Council plan to keep the level of reserves under review. When undertaking this review, the Council should consider if a more prudent approach should be maintained in the longer term.

# Wider scope requirements (continued)

## Council priorities and long term planning (continued)

Has the Council underpinned sustainability through the achievement of savings targets?

The Councils has successfully made year on year savings over the last five years, as detailed below:

Year	Savings Achieved
2011/12	£14.3m
2012/13	£9.8m
2013/14	£10.1m
2014/15	£6.2m
2015/16	£7.0m

2016/17	
Base budget adjustment	£5.0m
Previously approved savings	£6.6m
New savings	£2.2m
Other budget reductions	£4.4m
Total savings target	£18.2m

The Council had previously approved savings of £6.6m included as part of the 2016/17 budget . This combined with a base budget adjustment of £5.0m resulted in the Council requiring to find savings of £2.2m in 2016/17 to present a balanced budget. On top of the previously identified savings, the Council identified savings to be made in the following areas in order for it to achieve its target for the year:

- Implementation of the integrated Health and Social Care Partnership savings proposal - £1.9m.
- Winter Maintenance - cease brine treatment to town centres - £0.05m.
- Reduction to early years development initiatives and review of charges to other local authorities for children with additional support - £0.1m.

### Deloitte view

The Council has achieved significant savings over the last 6 years, however due to increasing demand for services and the continuing restraint in relation to Council funding settlements, it will have to consider how it can transform service delivery through its T2 Programme in order to continue to meet highest priority need with reducing resourcing. Fundamental service redesign and transformation will be required to minimise the impact on key front line services.

# Wider scope requirements (continued)

## Service delivery

Does the Council have a Transformation Plan that links to the corporate priorities?

### Transformation 2 Programme (T2)

The Council have a strong track record in relation to transformation and have an established framework in place to manage and monitor changes through the Executive Leadership Team.

After the successful completion of the first Transformation Programme, the Council is now focusing on delivering the T2 Programme, which set out the following aim:

***"The Council will become a leaner, more innovative and flexible organisation that is better equipped to respond to change and future challenges"***

T2 is underpinned by the Council's vision stated in the Corporate Plan which is *"to be a leading organisation defined by excellent and innovative **services**"*. T2 will enable service delivery to be transformed and allow efficiencies to be made, where appropriate.

### T2 Aims

The T2 Programme will:

- identify areas for change;
- provide resources, investment and guidance for implementing change;
- focus on key priorities such as educational attainment, social care and regeneration;
- enhance the customer experience by delivering more joined up services and a prompt response to requests;
- utilise assets such as property, transport and technology more efficiently to reduce operating costs and minimise our carbon footprint;
- increase staff productivity through smarter, more effective ways of working;
- provide opportunities for skills and career development; and
- create a flexible, proactive workforce with a 'can do' approach.

### Deloitte view

The Council has successfully delivered change in the past and the transformational projects identified as part of T2 will assist with delivering sustainable services to an agreed standard at a time of recurring revenue reductions. This will be a key area that we will monitor over the course of the audit appointment, including how the Council ensures that projects deliver on time, on budget and most importantly, deliver the expected benefits to the citizens of North Ayrshire. We would also expect to see the Members playing a very active role in the transformation and the Council will also need to ensure it has the transformational infrastructure in place, including PMO, benefits realisation tools and templates and an effective change management strategy to deliver this transformational change.

# Wider scope requirements (continued)

## Members and officers knowledge, skills and resources

How do the Council ensure that Members and officers have the right knowledge, skills and time to lead and manage delivery of the Council priorities?

### Members

This Council is made up of 33 elected Members and following the local election in May 2017, there is now a minority Labour administration.

The Council developed and ran a comprehensive induction programme for new Members following the election. The induction included overviews of all of the **Council's** key strategies and the support they will receive in their role as Council Members. Members also received induction sessions on the T2 Programme Transformation and Council Finances.

Induction activity does not stop after initial delivery of the programme. Ongoing activity includes:

- Induction programme assessment and Member satisfaction feedback;
- Programme of prioritised training; and
- Follow up discussions held with Members to discuss personal development needs. From these discussions, a member training and development programme will be drafted.

### Officers

The **Council's 'Our People Connect Strategy'** sets out the priority for its staff which is *'to support our **people's** journey from Good to **Great**'* through.

- Focus - putting customers first and understanding the bigger picture
- Passion - taking pride in the jobs they do and being ambitious for the community
- Inspiration - all looking for better ways to deliver services and achieving the best results by working together.

These link to the Corporate Plan and are intended to support the **Council's** vision for the workforce:

*'We need visible, empowering leadership that provides a clear and shared vision for the Council.'*

The Council recognises the need for its employees to have the correct skill set and to continually learn, develop and enhance the skills and knowledge to meet the demands of their posts. They provide learning opportunities to help support and enhance employee skills, knowledge, behaviours and/or qualifications, depending on the role and provide a number of staff development programmes such as the Learning for Outcomes Programme, to support this.

### Deloitte view

The Council places a great deal of importance of building up strong relationships with Members and providing the workforce with the support they need to achieve the **Council's** vision to be a leading organisation. Member involvement in transformation is one of the keys to its success. We will review how the needs of officers and buy in of Member are taken into consideration as the Council implements its T2 up to 2020.

# Wider scope requirements (continued)

## Citizen Involvement

How does the Council involve citizens in decision making about its services?

The Council has extensive engagement with the local community. This engagement takes many forms, including:

- Through the **Council's** six Locality Partnerships, which allow Elected Members, Community Planning Partners and local community representatives to come together to consider the priorities for each area;
- Through the community planning partnership website that residents can access and provide feedback on any issues they are facing;
- Through the Customer Care Service that residents can use to raise any queries and inform the Council of any issues in their areas;
- Through partnership with the Consultation Institute to facilitate a consultation programme where the Council gets feedback from the people about the work that they are doing;
- Through a Community Engagement Network, where partners come together and share news, opportunities, skills and experience and to contribute to the community engagement strategy; and
- Providing visibility on the action taken and improvements made by the Council in response to complaints received on the **Council's** website through a regular "**You said, We did**" update, as shown below:

You said	We did
There were too many options to choose from when using the free phone in the Customer Service Centre.	We reduced the options and added speed dials.
You were unhappy with the process when scaffolding was to be erected outside your property (in preparation of works to be carried out).	Procedures will be reviewed by our roofing/render contractor. The Contract Officer will consider the practicality of including the scaffolding delivery date in the notification letter.
Employees sometimes provided incorrect information.	We delivered additional training and briefing sessions.

### Deloitte view

The Council places strong emphasis on encouraging community participation in Council decision making. We will monitor how this current engagement approach is maintained through the upcoming transformation of Council services through the implementation of the **Council's** T2 Programme.

# Wider scope requirements (continued)

## Citizen Involvement (continued)

How does the Council involve citizens in decision making about its services?

### Participatory Budgeting – Case Study

The Council held a participatory budgeting event in Ardrossan Civic Centre in January 2017. Around 250 members of the community attended. Groups and individuals made their pitches for funding of up to £1,250 with those who attended voted on how the money should be distributed.

The event was centred around projects that would improve mental health and wellbeing across North Ayrshire and votes were cast for the projects the attendees felt would make a difference to local people. A total cash pot of £50,000 was available (0.02% of total expenditure). There were a high number of applications for funding which indicates that mental health and wellbeing is an important issue to the local community.

The Council stated that *'the whole Participatory Budgeting process has shown that, with some financial support, our communities have the skills and abilities which can be used to meet those challenges; community assets supported to meet community needs'*.

Some of the successful bids are detailed in the adjacent table.

We would expect to see the use of participatory budgeting across a range of services increase over the next 5 years.

Bidder/Cause	Amount
Mind Your Health – Mental Health Toolkit	£1,250
Irvine Lip reading & Communications Group	£1,250
The Golden Girls	£1,200
<b>Young Person's Support Team (Charlie programme)</b>	£ 836
Autism Carers Group	£ 732
Three Towns Streetwise	£1,250
Age Concern Drop-in Centre	£1,250
CS Dance Academy	£1,250
The Freedom Fighters	£1,250
Richmond Fellowship – N.A. Camera Group	£1,055
Riding for the Disabled	£1,250
Input SCIO	£1,250
Little Box of Distractions	£1,250

# Wider scope requirements (continued)

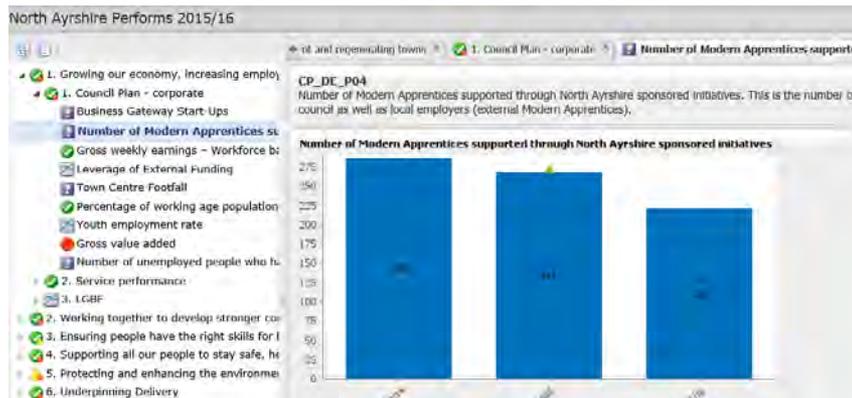
## Public performance reporting

### How does the Council monitor Performance and Outcomes?

The Council has a Performance Management Strategy which sets out the framework for its improvement journey. This framework supports continuous improvement and measures delivery of the **Council's** Mission, Vision and Outcomes. The **Council's** Performance Management Forum, which was refreshed during 2016/17, leads development of the approach to performance management.

The Council set targets against which to measure performance for a wide range of services and this is supported by the performance management system which analyses data, tracks progress and summarises actions for improvement.

Regular reporting is used to keep key stakeholders, including communities, Elected Members and partners up to date on the **Council's** performance. Performance reports and plans, including quarterly performance updates, are also available for the public to view on the Council website and in a dedicated '**North Ayrshire Performs**' portal, which is interactive and gives details of performance against specific indicators and allows the **Council's** performance to be compared to other Scottish local authorities, as shown below.



### Deloitte view

There is a clear framework in place to ensure that Council performance is monitored and reported. Performance information is readily available to North Ayrshire citizens and the provision of the interactive '**North Ayrshire Performs**' portal allows this information to be presented in a way that is visually interesting.

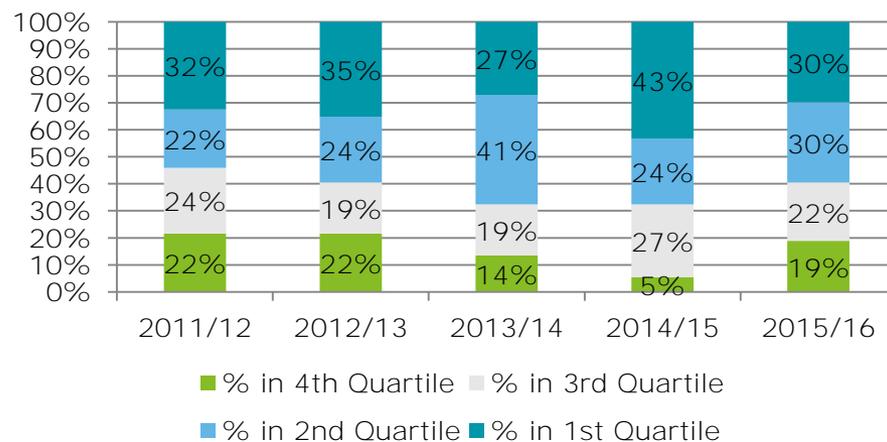
# Wider scope requirements (continued)

## Public performance reporting (continued)

### How well is the Council performing?

We have drawn on the Local Government Benchmarking Framework (LGBF) to make a high level assessment of the **Council's** performance, relative to all Scottish councils, in 2015/16 (the latest data available). The LGBF includes a number of indicators organised under common service areas. Performance is summarised in the below table\*.

North Ayrshire Council LGBF Indicators in each quarter, 2011/12 – 2015/16



#### Deloitte view

The number of indicators in the first and second quartile initially improved over the last five years to 68% in 2013/14, before reducing slightly during 2015/16 to 60%. Over the next five years, we will develop a detailed understanding of the **Council's** performance, including:

- How priorities are agreed and reviewed and whether they link the **Council's** vision and Council Plan objectives;
- How the Council is performing against its key priorities and whether the Council is able to demonstrate that improvements in performance can be attributed to its actions (or actions undertaken with partners); and
- The role of elected members in scrutinising and challenging Council performance.

\* The analysis is based on 37 of the LGBF indicators. It does not include indicators that relate to spend/cost, as these may not give a fair reflection of performance. For example, a higher than average spend on roads maintenance could reflect a policy decision to improve the existing condition of roads in the Council area.

# Wider scope requirements (continued)

## National Fraud Initiative

In accordance with Audit Scotland planning guidance, we are required to monitor the **Council's** participation in the National Fraud Initiative (NFI) and progress during 2016/17 and completed an NFI audit questionnaire by 30 June 2017.

A summary of the matches reported in the NFI system and current status of investigations is provided in the table, recognising that work is still ongoing in this area.

	Total
Total matches flagged	5,550
Total recommended matches to be investigated	1,201
Total processed to date	361
Frauds	0
Errors	0
Outcome	£Nil

### Deloitte view

North Ayrshire Council is engaged with the NFI exercise. The key contact and the Audit and Scrutiny Committee have used the self-appraisal checklist published in the 2016 Report to help monitor progress with the 2016/17 exercise. Extensive training is provided to all members of the NFI team to ensure that work is carried out to a high standard, with regular oversight provided by the key contact. The key contact at the Council noted that improvements in fraud and error detection have been clear since the introduction of NFI.

# Wider scope requirements (continued)

## Local Area Network

We continue to actively participate in the Local Area Network (LAN) and make positive contributions to the Local Scrutiny Plan. The LAN met in December 2016 to update the shared risk assessment, and the LAN Lead met with the Chief Executive and the Senior Leadership Team in March 2017. The Local Scrutiny Plan 2017/18 was published by Audit Scotland in March 2017.



### Conclusion

No specific risks were identified in the shared risk assessment this year. However, the LAN identified a number of areas which form part of the on-going oversight and monitoring work carried out by scrutiny partners. This work includes the following issues:

- Financial position and challenges to service delivery in the future – this has been considered as part of our review of Financial Sustainability on page 21 to 23.
- Transformation Strategy 2 (T2) – this has been considered as part of our work on the Strategic Audit Priorities on page 38.
- North Ayrshire Health and Social Care Partnership – this has been considered as part of our separate audit of the Partnership.

# Wider scope requirements (continued)

## Grant claim work

As part of our audit procedures, we have completed our review of the following grant claims / returns by the audit deadlines set by Audit Scotland:

Grant	Deadline	Status	Issues
Education maintenance allowance	31 July 2017	Completed	None
Criminal justice social work services grant claim	30 September 2017	Completed	None
Non-domestic rates income return	9 October 2017	On Target	None to date
Housing benefit subsidy	30 November 2017	On Target	None to date

### Conclusion

We are on target to complete all grant claim work in line with Audit Scotland deadlines.

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Audit and Scrutiny Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit

## What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

## The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary **"Briefing on audit matters"** circulated to you on 25 May 2017.

This report has been prepared for the Audit and Scrutiny Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

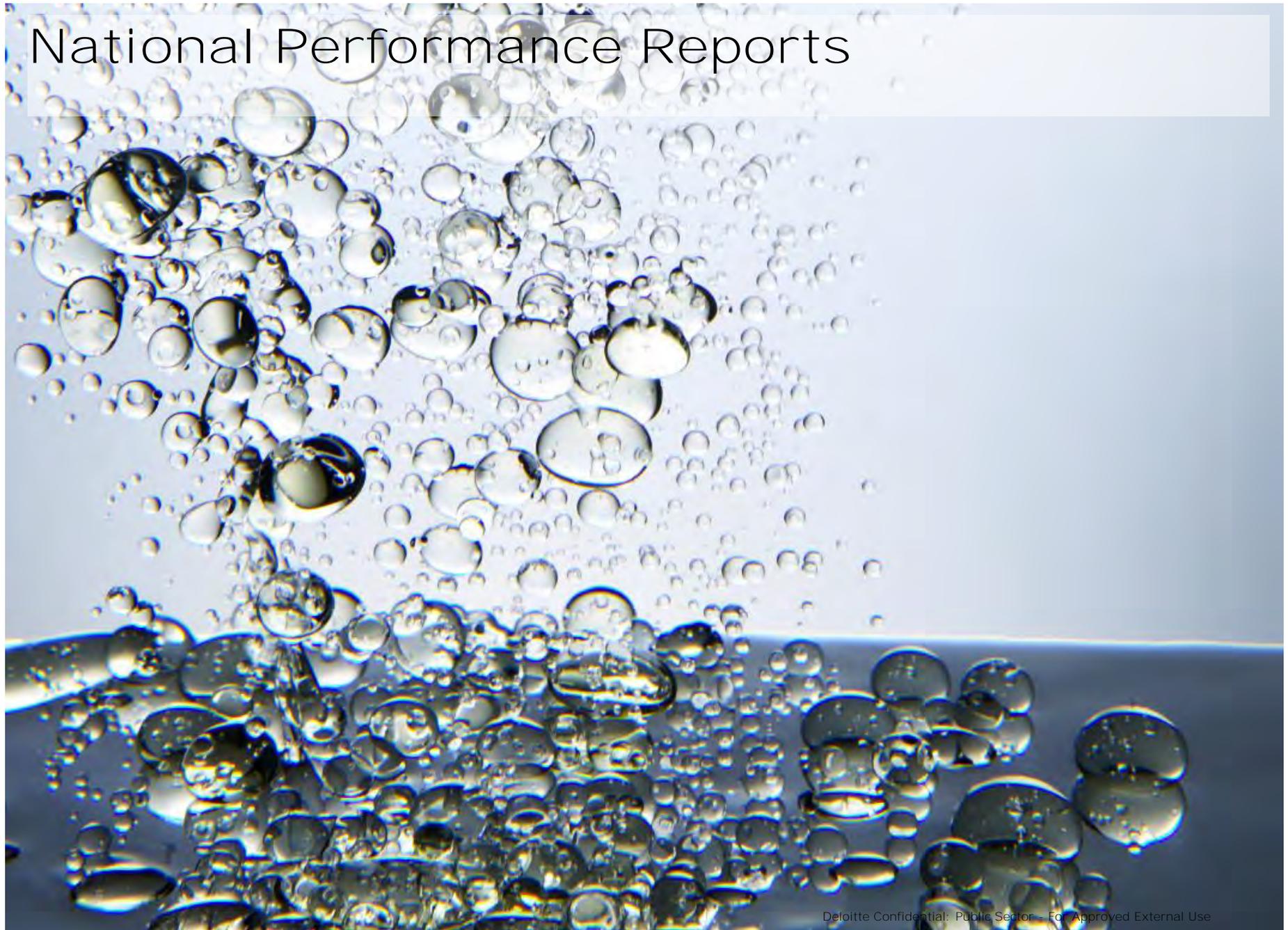


Deloitte LLP

Glasgow

11 September 2017

# National Performance Reports



# National performance reports

## Summary of reports issued over the past year

### How councils work (HCW) – Roles and working relationships in Councils: Are you still getting it right?

Published November 2016

#### Headline messages

The Accounts Commission revisits the themes in its 2010 HCW report on roles and working relationships. It highlights issues that are important to the governance of Councils in the current climate.

The messages highlighted in this report centre on the main themes of the original HCW of:

- clear roles and responsibilities and arrangements for governance that are up to date
- effective working relationships, with councillors and officers demonstrating appropriate behaviours
- councillors having the skills and tools to carry out their complex and evolving role

#### Impact on North Ayrshire Council

The Council should consider how this report and the checklists will support councillors in their difficult and challenging role. It should also help councils to consider their current governance arrangements and make any necessary changes, including their preparations for the new intake of councillors following the May 2017 local government election.

We note that this report was considered by the Scrutiny and Audit Committee on 13 February 2017.

### Local Government in Scotland: Financial Overview 2015/16

Published November 2016

#### Headline messages

Councils have remained within their overall budgets, increased their reserves slightly and reduced their debt in 2015/16. Each Council has its own particular challenges, but all Councils face financial shortfalls requiring further savings or using reserves. They need to change the way they work if they are to make the savings needed.

#### Impact on North Ayrshire Council

Throughout the report, Audit Scotland identifies questions that Councillors may wish to consider to help them better understand their **Council's** financial position and to scrutinise financial performance. These are available in the self assessment tool for Councillors.

We note that this report was considered by the Council on 1 March 2017.

# National performance reports (continued)

## Summary of reports issued over the past year (continued)

### Local Government in Scotland: Performance and Challenges 2017

Published March 2017

#### Headline messages

Councils overall have maintained or improved their performance in the face of a long-term decline in Scottish Government real term funding and continued increasing pressures on services. However, public satisfaction is declining and complaints are increasing. Looking ahead, they need to better involve their communities in service design and delivery.

There are wide variations between Councils. Some have grasped the nettle in finding new ways to provide services more efficiently. Others have been slower off the mark. Councils have made savings by cutting jobs, but half of them still **don't** have organisation-wide workforce plans.

#### Impact on North Ayrshire Council

The Council should consider the recommendations made in the report (copied here for reference), when setting priorities and budgets for future periods.

We note that this report was considered by the Scrutiny and Audit Committee on 25 May 2017.

#### Recommendations

Councils should:

- Set **clear priorities** supported by **long-term strategies** and **medium-term plans** covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions.
- Ensure that **budgets are clearly linked** to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year.
- Have an **organisation-wide workforce plan** to ensure the Council has the people and skills to manage change and deliver services in the future.
- Ensure **workforce data** allows thorough analysis of changes to the workforce at an organisation-wide and departmental level. This will allow Councils to better assess the opportunities and risks in staff changes.
- Thoroughly **evaluate all options for change and service redesign**, including options for investing to save, and monitor the impact of change on Council priorities and desired outcomes
- **Support communities** to develop their ability to fully participate in setting Council priorities and making decisions about service redesign and use of resources.
- Ensure **councillors** get support to develop the right **skills and knowledge** to fulfil their complex and evolving roles
- Ensure there is clear **public reporting of performance** linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas.
- Continue to work to understand the **reasons for variations in unit costs and performance**, and **collaborate** to identify and adopt good practice for each other.

# Appendices



# Audit adjustments

## Summary of corrected and uncorrected misstatements and disclosure deficiencies

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

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		Debit/ (credit) Assets £m	Debit/ (credit) Liabilities £m	Debit/ (credit) Reserve £m	Debit/ (credit) CIES £m	If applicable, control deficiency identified
Council Dwelling revaluation journal	[1]	(8.9)		8.9		N/A
Council House depreciation	[2]	1.3		(1.3)	(0.9)	
PPP Unitary Charge	[3]		(0.4)	0.4	0.4	
<b>Total</b>		<b>(7.6)</b>	<b>(0.4)</b>	<b>8.0</b>	<b>(0.5)</b>	

---

[1] – This adjustment has arisen as a result of a manual error when posting the revaluation journal

[2] – This adjustment has arisen as a result of an error in the depreciation calculation for Council Dwellings

[3] – This adjustment has arisen as a result of an error in the PPP Model

While the above result in a total credit to the CIES of £0.5m, this is reversed out through the MIRS so therefore has a nil impact on the General Fund.

No uncorrected disclosure deficiencies have been noted from our audit work to date.

# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Property Valuations	From our property specialists review of the valuations performed in the year, a number of recommendations have been made in relation to the valuation process. These should be taken forward as part of the 2017/18 revaluation exercise.	The Council is making a number of changes to how it manages its estate. The issues identified by Deloitte will be addressed as part of this.	Executive Director Place	31 March 2018	High
Charitable Trusts	We note that there has been very little movement in these trusts over the last 12 months, with the movements largely relating to interest from investments held. We would encourage the Council to ensure that appropriate plans are in place to ensure these funds are used in accordance with the <b>donors'</b> wishes.	The Council is taking a proactive approach with its communities to identity opportunities to apply trust funds in accordance with the <b>donor's wishes.</b>	Executive Director Economy and Communities	Ongoing	Moderate

# Action plan (continued)

## Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Sustainability/ Transformation	Due to increasing demand for services and the continuing restraint in relation to Council funding settlements, the Council will have to consider how it can transform service delivery through its T2 Programme in order to minimise the impact on citizen with reducing budgets.	The Council recognises the challenges it faces. An updated Long Term Financial Strategy will be considered by Council in October 2017. This will identify the need for further significant transformation to ensure financial sustainability of services.	Chief Executive	31 March 2018	High
Health and Social Care	The IJB, working closely with both North Ayrshire Council and NHS Ayrshire and Arran, need to agree mitigating actions to ensure that budgets are delivered in line with the resources available.	Regular financial reports are submitted to the IJB, these include options to reduce expenditure in line with delegated resources. The reports note the responsibility of the IJB to ensure that services are contained within available resources.	Chief Officer, North Ayrshire HSCP	31 March 2018	High

# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### Audit work performed:

In our planning we identified the risk of fraud in complying with recognition of grant income and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance.

**In addition, we have reviewed management's own** documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the Audit and Scrutiny Committee on the process for identifying, evaluating and managing the system of internal financial control.

### Concerns:

No concerns have been identified regarding fraud.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland) we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

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## Fees

The audit fee for 2016/17 is £290,290 as detailed in our Audit Plan.

No non-audit fees have been charged by Deloitte in the period.

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## Non-audit services

In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the **company's policy for the supply of non-audit services** or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

---

## Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.

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# Events and publications

## Our events and publications to support the Council

### Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

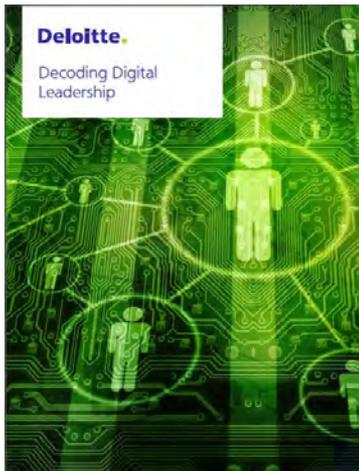
Perspectives: Health & Social Care - The great integration challenge Bringing health and social care closer together has been a policy ambition for decades, yet it continues to be a challenge. This new piece discusses some of the key factors that affect integration and what can realistically be achieved. Read the full blog post here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html>

Perspectives: **The public sector's** talent retention challenge – How can a talent drain be avoided? Although global governments are increasingly conscious of the value of **skills, the UK's public sector workforce** has been hit hard by austerity. Job losses, low morale and pay freezes have all fuelled concerns of a potential drain. Read the full blog here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sectors-talent-retention-challenge.html>

### Publications



#### Decoding Digital Leadership Surviving Digital Transformation

Digital transformation is a hot topic in government. The 2010 Spending Review mentioned the word 'digital' **only four times in its reform plans, while the 2015 Review mentioned it 58 times.** With that context, are senior leaders across government setting their organisations up for digital success?

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation?

Download a copy of our publication here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/decoding-digital-leadership.html>



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