



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

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 Governance Panel for the 2017 audit.

As detailed in our plan presented to the Audit and Governance Panel on 8 February 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 no uncorrected audit adjustments from our procedures.
- Based on our audit work, we have issued an unmodified audit opinion.

Analytics

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.

Status of the audit

The audit is complete.

Director introduction (continued)

The key messages in this report (continued)

Good 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 our audit work, we have issued 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

South Ayrshire Council delivered a General Fund underspend of £6.1 million in 2016/17, after utilising £9 million of reserves to fund in year expenditure. This was on an approved budget of £253 million and included £65.9 million of funding delegated to the IJB.

The Council's Financial Strategy is refreshed and approved annually and includes its 5 year outlook which includes scenario planning. The Strategy recognises the Council's duty to set a sustainable budget and provide a foundation for providing the best value for money in the delivery of services. The approved Revenue Budget each year lists previously approved savings and new savings in the year. Included within the Budget Management Reports for each Directorate the report compares target efficiency savings to actual savings to date.

We are satisfied that South Ayrshire Council is pro-active in respect of its short, medium and longer term financial plan although there are still risks around the ability to meet increasing demand with decreasing funds.

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. Audit Scotland raised a finding in the prior year around a lack of a permanent structure and staffing of the service and a recommendation that management review the level of capacity required by the council. Management have undertaken a review and developed a new structure which was approved by the Leadership panel in June 2017, but we would recommend that management monitor the capacity of the internal audit function as the new structure imbeds to ensure that the internal audit service is able to provide the level of assurance required by the Members. We also note the current requirement to recruit a temporary Chief Internal Auditor. It is important that this resource is confirmed as soon as possible to ensure there is effective leadership of the function.

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. We do however note that there could be greater evidence of scrutiny and challenge of reports which are presented to the Leadership Panel.

South 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 NFI exercise to date.

We are satisfied South 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

South Ayrshire Council has governance arrangements that appear appropriate and to be 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 South Ayrshire Council. With the election of the new councillors, we would recommend that management should take the opportunity to emphasise the overview and scrutiny role that is required of members and that this should be evidenced as far as practicable in the meeting minutes.

The Audit and Governance Panel provides assurance to the Council on corporate governance and financial probity. From review of committee meeting minutes, we are satisfied the Audit and Governance Panel 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 Governance Panel, 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 assurance.

Value for money

The Council has an established performance management framework in place and a Performance Management Strategy which sets out the framework for improvement. In 2015/16 the Council reported 66% of indicators being in the top 2 quartiles, which compares to 2014/15 where 59% were in the top 2 quartiles.

As noted in their Council Plan, South Ayrshire Council are focusing on maximising the potential of their local economy, their communities and their environment. 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 cross-over 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 have also considered the progress the Council has made since the Best Value Follow Up undertaken by Audit Scotland in June 2016.

We reviewed the Council Plan 2016–2018 and the South 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 South Ayrshire the most dynamic, inclusive and strategic community in Scotland. 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. We note that the current Council Plan only covers a two year period. Real transformation and improvement can often take a number of years to be achieved. We understand the Council's aspiration is for the next Council Plan to cover a longer period and we would support this.

The Council has an embedded process for ensuring there is a culture of continuous improvement across services delivered by the Council. The Council is at the early stage of implementing the Transform South Ayrshire (TSA) programme to support it to achieve its strategic objectives and to maintain the sustainability of its services. This will be a key area that we will monitor over the course of the audit appointment, including how the Council adopts more radical approaches to service redesign, how it ensures that projects deliver on time, on budget and most importantly, deliver the expected benefits for the citizens of South 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 an effective PMO function, 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 delivery of the Council priorities. We found that the Council places a great deal of importance of building up strong relationships with Members and proving the workforce with the support they need to achieve the Council's strategic priorities. Member involvement in transformation is one of the keys to success. We will review how the needs of officers and buy in of Members are taken into consideration as the Council implements its TSA programme, as well as other change activities, over the course of our audit appointment.

We reviewed how the Council engages with its citizens and we are satisfied that the Council places strong emphasis on encouraging community participation in Council decision making. We recommend that the Council ensures that the completion of the Consultation Strategy is made a priority to ensure that there is a framework for undertaking activity in this area. We will also monitor how this current engagement approach is maintained through the upcoming transformation of Council services through the implementation of the Council's TSA Programme.

Pat Kenny
Audit Director

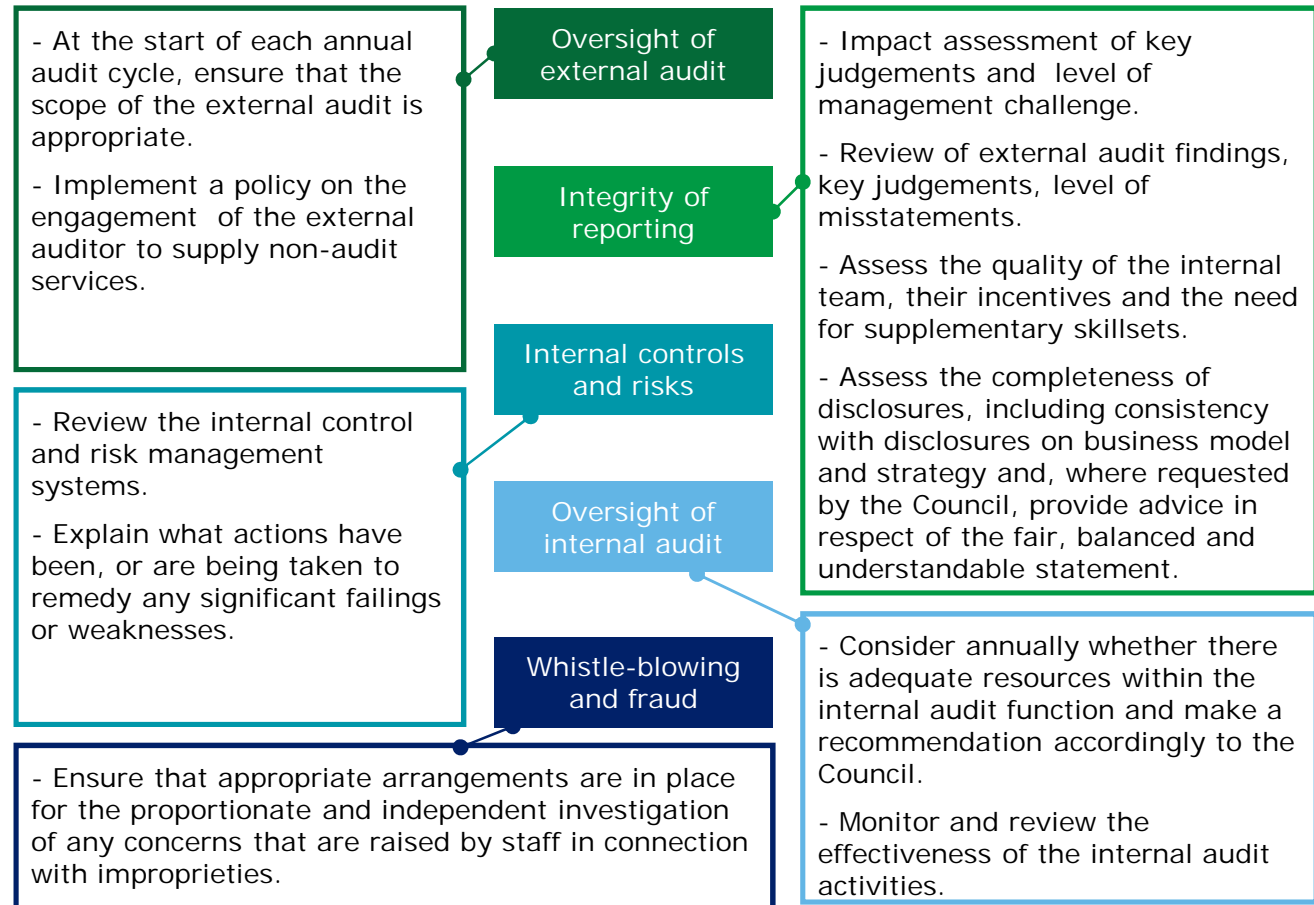
Responsibilities of the Audit and Governance Panel

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with the Audit and Governance Panel:

- 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 Governance Panel's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Audit and Governance Panel with additional information to help them fulfil their broader responsibilities

We set out here a summary of the core areas of Audit and Governance Panel 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 Governance Panel 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

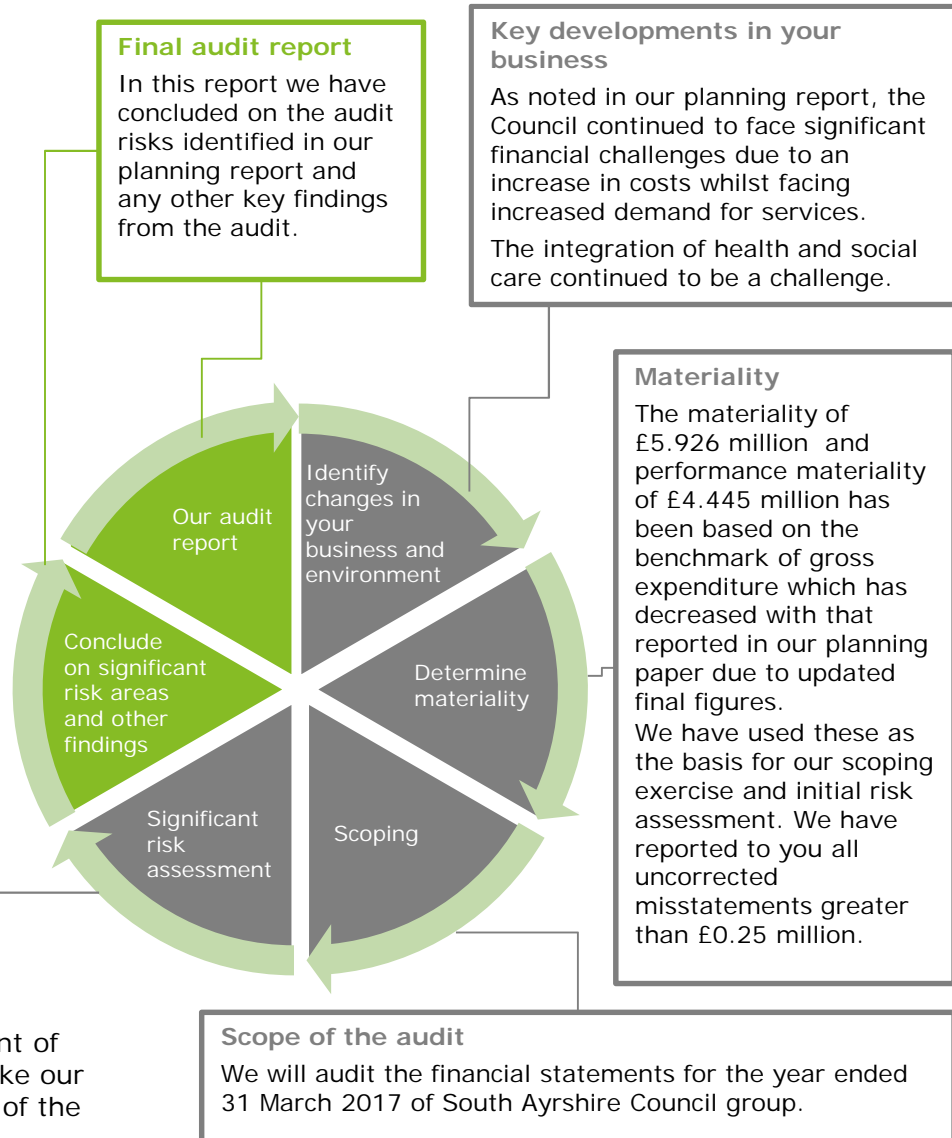
We have also considered the Strategic Audit Priorities set by Audit Scotland as well as covering the Best Value audit work.

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 South 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	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		Satisfactory	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. Therefore grant income has been identified as a significant risk



Deloitte response

We have performed the following:

- assessed management's controls around recognition of grant income; and
- detailed testing of a sample of grant income to check that recognition of income reflects any conditions included in the grant scheme rules and that the amount is in agreement with the draft or final grant claim.

Type of income	2016/17 (£m)	Significant risk
Taxation and Non-Specific Grant Income		
Council Tax income	47.12	
Non domestic rates	40.76	
Revenue support grant	158.20	
Capital grants and contributions	14.91	✓
Service Income		
Grant income (including Housing Benefit)	41.53	✓
Housing revenue	31.47	
IJB Commission income (book entry)	84.82	
Other Service Income	17.48	

Deloitte view

We have concluded that grant income has been recognised correctly in accordance of 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 (PPE) 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

The Council held £577.5 million of property assets at 31 March 2017 which are considered for revaluation. The Council has a rolling revaluation programme, where assets are reviewed as a minimum every 5 years.

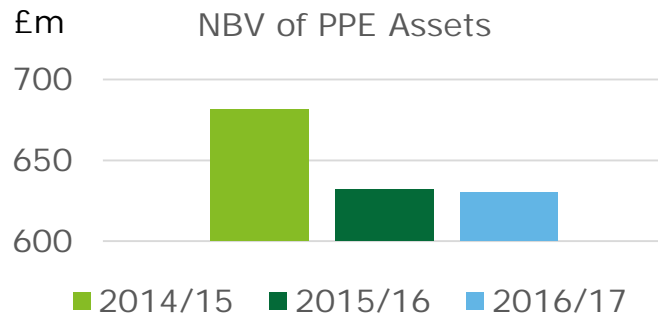
The decrease in property assets in the year is mainly due to impairments.



Deloitte response



- 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 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 review of inputs to the valuation.



Deloitte view

Based on our testing we have not identified any material misstatements. 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.

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 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.

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.

Significant transactions

From our work we did not identify any transactions outside the normal course of business or transactions where the business rationale was not clear.

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 performed design and implementation testing of the controls in place for journal approval. 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.

Other matters

Defined benefits pension scheme

Background

The Council participates in two defined benefits schemes:

- The Strathclyde Pension Scheme; and
- the Scottish Teachers' Superannuation Scheme

The net pension liability has increased from £119.7 million in 2015/16 to £192.3 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	Reasonable
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. South Ayrshire Council administers three such registered charitable trusts.

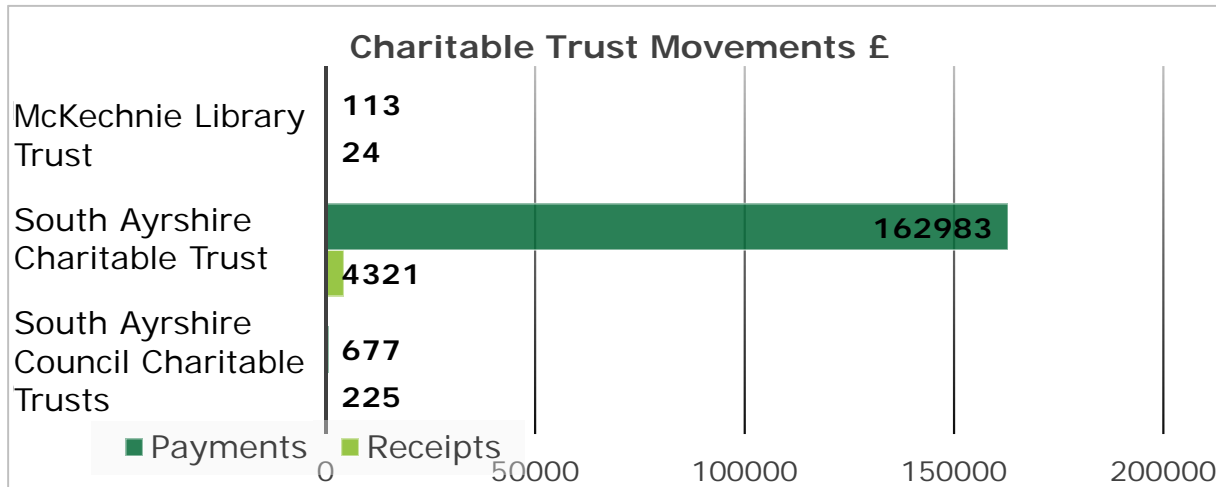
As the gross income of each trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required and disclosure 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 the Council has recently undertaken a programme of work to consolidate the trust funds that it holds, to allow it to make use of the funds in accordance with the donors wishes.

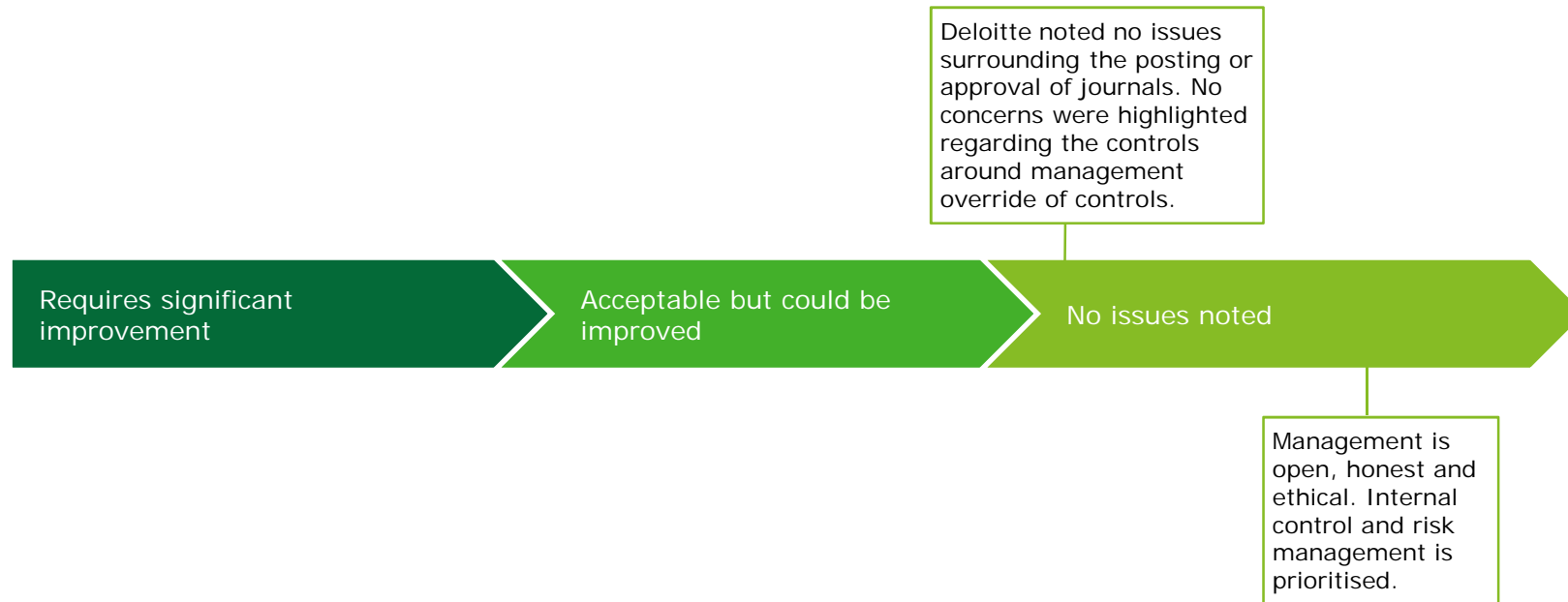


Deloitte view
 No issues noted from our testing of the charitable trusts accounts in the year, which were found to be correctly accounted for in accordance with the Regulations.

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

Based on our work we did not identify any concerns in relation to the financial management, governance and general controls in place at the Council.

Your annual report

We welcome this opportunity to set out for the Audit and Governance Panel 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.

	Disclosure in Annual Report	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, 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 South Ayrshire Council governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information provided 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 32 to 46, 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.

Wider scope requirements (continued)

Financial sustainability (continued)

In December 2014 the Council approved for the first time a 5 year Medium Term Strategy, this is rolled forward on an annual basis. The aim of the plan is to provide a single Financial Strategy that brings together the strategic objectives of the Council Plan. The strategy includes scenario planning over the next 5 years. The strategy recognises the Council's duty to set a sustainable budget and provide a foundation for providing the best value for money in the delivery of services.

Revenue budget

The Council delivered a General Fund deficit of £3.1 million in 2016/17 prior to utilising a planned drawdown of £9 million of reserves to fund in year expenditure. This was on an approved budget of £253 million and included £65.9 million of funding delegated to the IJB. This compares with a surplus in 2015/16 of £6.7 million.

Due to the underspend against budget in the current year and previous years the Head of Finance has performed a review to identify whether any savings are recurrent in nature and can be removed from the budget on a permanent basis, this was reported to members at August Leadership Panel. Within the budget management reports for each Directorate the report compares target efficiency savings to actual savings to date.

Reserves

The Council's Usable Reserves balance has increased by £684k in the year to £48 million at 31 March 2017. This is due mainly to the decrease in the General Fund being offset by an increase in the Housing Revenue Account.

Actual Expenditure against budget



Going forward

The 2017/18 budget was approved by the Council on 2 March 2017. This budgeted gross expenditure of £261 million incorporates £3 million of previously approved savings, £2.6 million of new savings and a £5.3 million use of reserves 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.

Wider scope requirements (continued)

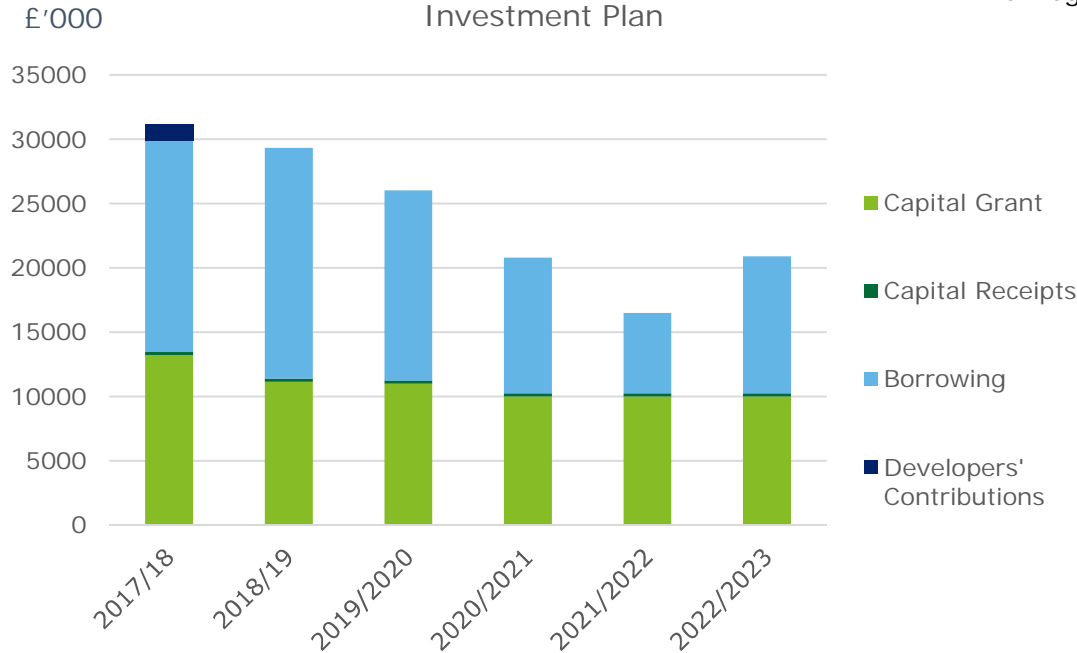
Financial sustainability (continued)

Capital budget

The Capital Investment Programme for the period 2017/18 to 2022/23 was also approved as part of the budget meeting in March 2017.

The plan for the next 6 years is shown below. A refresh of previously approved programmes has been undertaken along with the introduction of new projects.

The borrowing costs associated with the programme are considered as part of the capital programme and the interest implications are included within the 2017/18 revenue budget.



A summary of the key investments is noted below:

- Investment in the **Learning Environment**, including Ayr Grammar Primary and Nursery, Carrick Academy, Glenburn Primary and the refurbishment of Marr College.
- Investment in road reconstruction and improvement and street lighting.
- Support for the **Economy**, including investment in cemetery infrastructure and the Walker Street waste transfer station.
- Ayr Renaissance Project has been set up with the purpose of regenerating Ayr town centre.

Deloitte view

As discussed further on pages 32 to 46, the Council has a clear process in place for long term and medium term financial planning and the current level of reserves are within an acceptable threshold.

The Council has achieved budget in the current year, albeit with a planned use of reserves. Due to increasing demand for services and the continuing reduction in relation to Council funding settlements, the Council will have to consider how it can transform service delivery as it will not be able to continue to meet citizens needs to the same level with reducing budgets.

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 South 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 59.

	2016/17 Budget £'000	2016/17 Actual £'000	2016/17 Variance £'000
Chief Executive's Strategic Office	1,639	1,621	18
Educational Services	122,149	120,705	1,444
Economy, Neighbourhood and Environment	68,017	67,434	583
Resources, Governance and Organisation	33,111	32,027	1,084
Social Care	68,401	67,122	1,279
Miscellaneous Services	(37,751)	(38,847)	1,096
Housing Revenue Account	0	(4,071)	4,071
Common Good Fund	224	239	(15)

The final outturn for 2016/17 was an overall underspend of £5.89 million, which included a £9 million of expenditure financed from reserves.

The key reasons for the underspend were:

- An underspend of £1.3 million for 2016/17 by the IJB.
- Carry forward of funding for the Ambitions Programme as the commitments are spanning into the next financial year.
- Devolved School Management carry forward which has been approved for use in 2017/18.
- Energy cost underspend as costs did not increase in line with budget partly due to a milder winter.
- Release of £1.316 million employee related claims provision based on latest information and expected pay out.

Wider scope requirements (continued)

Financial management (continued)

Capital expenditure

In terms of **capital expenditure**, a final outturn of £54.2 million was reported against a budget of £53 million.

This was a result of several large projects progressing ahead of programme. Therefore the profile of expenditure allocated to projects has been brought forward from following years allocations rather than additional expenditure.

Capital projects

In total 111 projects were completed in 2016/17 including:

- Children's facility at Coylton;
- Annbank Primary Dining Hall; and
- Ayr Cemetery Extension.

The Council also have a number of projects in the development stages, including:

- Ayr Office Project;
- Carrick All weather Pitch;
- Queen Margaret Academy New Build; and
- A number of energy saving projects including air handling at the Citadel Leisure Centre.

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.

South 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 South Ayrshire Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

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 on 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 relevant Committee meetings to assess the effectiveness of the governance arrangements and the level of scrutiny and challenge. Our attending at Audit and Governance Panel 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 32 to 46, 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 delivery of the Council priorities.

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 audit reports presented to the Audit and Governance Panel and the conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Audit Scotland raised a finding in the prior year around a lack of a permanent structure and staffing of the service and a recommendation that management review the level of capacity required by the council. Management have undertaken a review and developed a new structure which was approved by the Leadership panel in June 2017, but we would recommend that management monitor the capacity of the internal audit function as the new structure imbeds to ensure that the internal audit service is able to provide the level of assurance required by the Members. We also note the current requirement to recruit a temporary Chief Internal Auditor. It is important that this resource is confirmed as soon as possible to ensure there is effective leadership of the function.

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.

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 is included within the Internal Audit plan. This was reviewed in 2016/17 where internal audit reviewed the arrangements specific to Community Councils and is due to be reviewed annually.
- 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)

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.

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 32 to 46.

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 consider 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 Services and Performance Panel, leads development of the approach to performance management.

Deloitte view

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

Performance information is readily available to South Ayrshire citizens and the provision of the interactive 'My Local Council' portal which allows information about the Council to be presented in a way that is visually interesting.

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. However more progress is needed on linking spend to outcomes delivered.

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 (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 South 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:

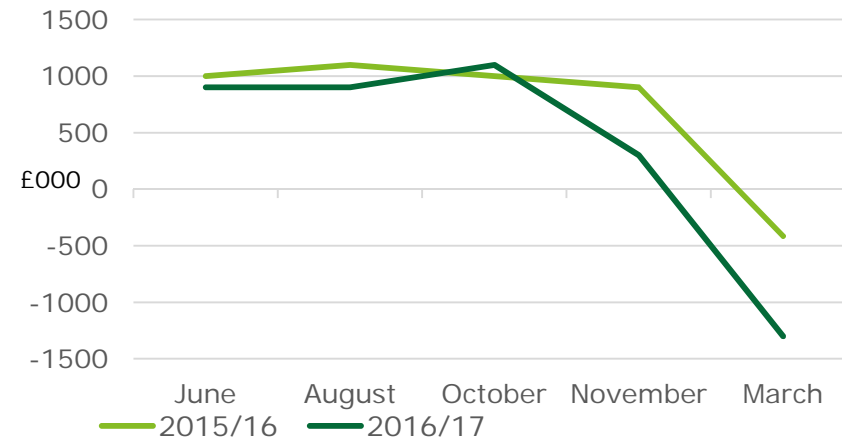
Financial sustainability

Financial balance was achieved in the year. South Ayrshire IJB was £1.3 million underspent against a budget of £164.1 million. This underspend is 0.8% of budget, indicating that overall forecasting is reasonably accurate.

From our financial sustainability work we note that the IJB has a medium term Strategic Plan, which spans 4 years, 2016-2019. However there is no longer term financial planning. We have recommended that the IJB creates a financial strategy which would assist with financial planning and should include sensitivity analysis and scenario planning.

In the year the IJB was forecasting an overspend. A recovery plan was presented and approved by the Board in December, which identified the mitigating actions required to address the situation. It is worth noting that the October Financial Monitoring Report was also presented at this meeting, as from the graph above from October the projected overspend starts to decrease.

Projected overspend



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.

Management accounts are produced on a quarterly basis and reported to the Board. The IJB's 2017/18 budget recognises changes in demand through identification of unavoidable cost pressures. The budget provides a detailed list of unavoidable cost pressures which have been identified for the year. To mitigate against these unavoidable costs, the budget also lists potential areas of cost reductions that could be implemented in the year.

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 (both financial and non-financial) 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, however we recommend that the minutes of these meetings better reflect the scrutiny and challenge.

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.

Deloitte view

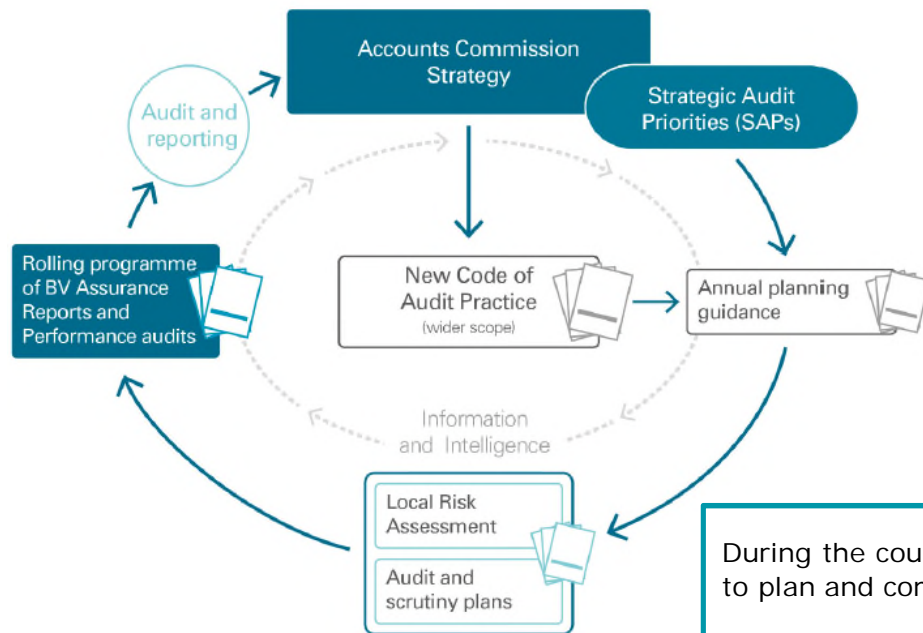
Recognising the relatively early stage of the Board, it is positive to note the work done to date in developing the governance and performance arrangements. However, the long term financial sustainability of the Board is still a significant risk given the budget pressures. It is therefore critical that the Board work closely with both the Council and NHS Ayrshire and Arran to agree mitigating actions to ensure that budgets 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 South 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 are 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 the page 32, the Accounts Commission has reviewed its strategic planning arrangements and has agreed five Strategic Audit Priorities that we have built into our audit expectations. These are set out below.

<p>Council priorities and long term planning The clarity of Council priorities and quality of long-term planning to achieve these.</p>
<p>Service delivery How effectively Councils are evaluating and implementing options for significant changes in delivering services.</p>
<p>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.</p>
<p>Citizen involvement How effectively Councils are involving citizens in decisions about services.</p>
<p>Quality of public performance reporting The quality of Council public performance reporting to help citizens gauge improvement.</p>

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 discussions with officers and other personnel across the Council, observance of committee meetings and review of documents such as the Community Plan, Medium Term Financial Plan, Council communications, consultations and performance data.

Areas considered 

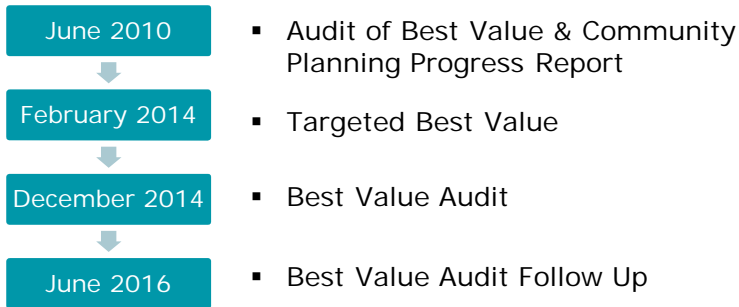
There is an element of cross-over between the Strategic Audit Priorities and the wider scope areas of financial sustainability and value for money. We have primarily focused on gaining an understanding of the Council's arrangements for demonstrating best value in financial and service planning, financial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

Wider scope requirements (continued)

The Council's Best Value journey

The Council has made sustained progress since the initial Best Value audit in 2010

Audit Scotland have undertaken Best Value or follow up reviews on four occasions since June 2010, as detailed below:



There were concerns that the challenges facing the Council in demonstrating Best Value were deep rooted and substantial.

Over the course of these reviews, the Council has improved arrangements for ensuring Best Value and has evidenced sustained improvement. After the most recent review in June 2016, Audit Scotland concluded that:

“A strong culture of improvement is in place, built upon shared leadership by Member and officers and improved relationships between Elected Member, demonstrated by the effectiveness of the Best Value Working Group and better scrutiny arrangements”

Whilst underlining the significant improvements made by the Council, Audit Scotland indicate that the Council's efforts in relation to Best Value should continue and highlighted a number of areas where continued development was required, such as:

- Maintaining strong political and senior leadership,
- Revising medium and longer term plans;
- Considering the scope for more radical approaches to service redesign;
- Ensuring that all improvement activity is effectively integrated and prioritised;
- Embedding approaches to community engagement; and
- Keeping Scrutiny arrangements under review.

The Council has taken these recommendation on board through development of an action plan and is keen to sustain momentum in this area. It has been monitoring their progress towards implementation through the Best Value Working Group and through six monthly progress reports to the Audit and Governance Panel.

Deloitte view
The most recent progress report to the panel in August 2017, shows that 5 out of 8 improvement actions are complete with the other 3 underway. It has been identified that further work is required around more radical approaches to service delivery and the development of Consultation Strategy to help facilitate engagement with the community. These areas are covered in more detail on the following pages as part of our work in relation to the Strategic Audit Priorities.

Wider scope requirements (continued)

Council priorities and long term planning

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

South Ayrshire is a coastal Council with 70% of its population based in towns of Troon, Prestwick and Ayr. The rest of the population live in Maybole and Girvan and rural Kyle and Carrick.

Similar to most Councils, South Ayrshire Council is facing several challenges ranging from a change in demographics, funding cut backs and poverty and deprivation. Despite this, the Council is committed to making the most of their location, natural assets, people and communities to transform South Ayrshire into the most dynamic, inclusive and sustainable community in Scotland. This commitment is shared with their community planning partners like Police Scotland, Scottish Fire and Rescue Service, NHS Ayrshire and Arran, Voluntary Action for South Ayrshire and Ayrshire College. This mission underpins with the Councils overarching ambition and vision:

“Working with our partners and communities to make life better in South Ayrshire”

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. There is a clear linkage between funding decisions and Key Performance Indicators. We note that to cover the election period the Council Plan was extended for a two year period. Real transformation and improvement can often take a number of years to be achieved. We understand the Council's intends to cover a longer period in the next iteration of the Council Plan and we would support this.

The Council recognises that in the current climate, working with partners and communities is essential, particularly as demand for quality services continues to grow, while budgets continue to be reduced. As a result, the Council worked with their partners and local communities to develop the Council Plan 2016-2018.

The Council has identified six strategic priorities, detailed overleaf, which support this vision. For each priority there are outcomes and targets that the Council aims to achieve by 2018, along with associated actions and measures.

The Council is part of the South 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 to make South Ayrshire the most dynamic, inclusive and strategic community in Scotland. The Council Plan strategic objectives are linked to the SOA objectives.

The Council Plan and SOA are supported by Service and Improvement 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.

Wider scope requirements (continued)

Council priorities and long term planning (continued)

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

South Ayrshire Council's Priorities

South Ayrshire Council has identified the key themes from the Single Outcome Agreement, they have used these themes to identify their strategic objectives to which they have supported by developing current plans and strategies

Council Plan 2016 - 2018

Vision: Working with our partners and communities to make life better in South Ayrshire.

Strategic Objectives

- Working in partnership to maximise the potential of our:
 - local economy;
 - young people;
 - adults and older people;
 - communities, and
 - environment.
 - Improving the way we work as a Council.
- Underpinned by outcomes to be achieved for each objective.

Single Outcome Agreement 2013 - 2023

Vision: To make South Ayrshire the most dynamic, inclusive and strategic community in Scotland.

Priorities

- Economic Recovery, Growth and Employment
- Supporting our Children and Families / Early Years
- Health Inequalities and Physical Activity
- Caring for Older People
- Safer and Stronger Communities and Reducing Offending
- Protecting and Enhancing our Environment

Underpinned by seven visionary outcomes.

Supporting documents

- The Council has identified themed approaches which are reflected in the way the carry out work. These themes are as follows: Integration, Early intervention and prevention, Empowerment and Redesigning and transforming service delivery.
- Council Plans such as Service and Improvement Plans, Local Development Plan, Health and Social Care Partnership Strategic Plan and Integrated Children's Services Plan, as well as Team Plans and individual Performance Development Reviews for staff members.

Supporting strategies

There are numerous supporting Council strategies including: Equality and Diversity Strategy, Sport and Leisure Strategy, Local Housing Strategy, Open Space Strategy, Procurement Strategy, Treasury Management Strategy, Financial Strategy, ICT Strategy and the Sustainable Development and Climate Change Strategy.

Wider scope requirements (continued)

Council priorities and long term planning (continued)

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

Long Term and Medium Terms Financial Plans

Historically the Council has set out its financial strategy in a series of short term financial documents and policies that have covered periods of one to three years. In December 2014, the Council approved a five year medium terms financial strategy. This strategy has since been updated and the Council now has a Financial Strategy that covers the period 2017 – 2022.

The strategy recognises the Council's duty to set a prudent, sustainable budget and to maintain appropriate levels of services provision to the public. The strategy also sets out how the financial resources will be directed to meet the strategic objectives set out in the Council Plan.

Supporting strategies

The MTFP is supported by several other strategies which provide a more in-depth insight into budget pressures and their potential long term consequences e.g. the Capital Investment Programme 2017-23.

Planning Process

The financial plans have been 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 and demand.

Given the lack of clarity and uncertainty over future funding of local government from the Scottish Government, the strategy includes several scenario based expenditure and projected funding forecasts.

The strategy also takes into consideration that public engagement should be a key factor in developing future budget plans and savings. The Council intends to develop an Engagement Plan to support this approach.

Deloitte view

The Council has now developed a clear process for financial planning and ensures that the financial plans link to the Council's vision and priorities however, given the level of uncertainty about future funding, the Council should seek to develop a long term, high level financial plan to provide visibility of future challenges.

Wider scope requirements (continued)

Council priorities and long term planning (continued)

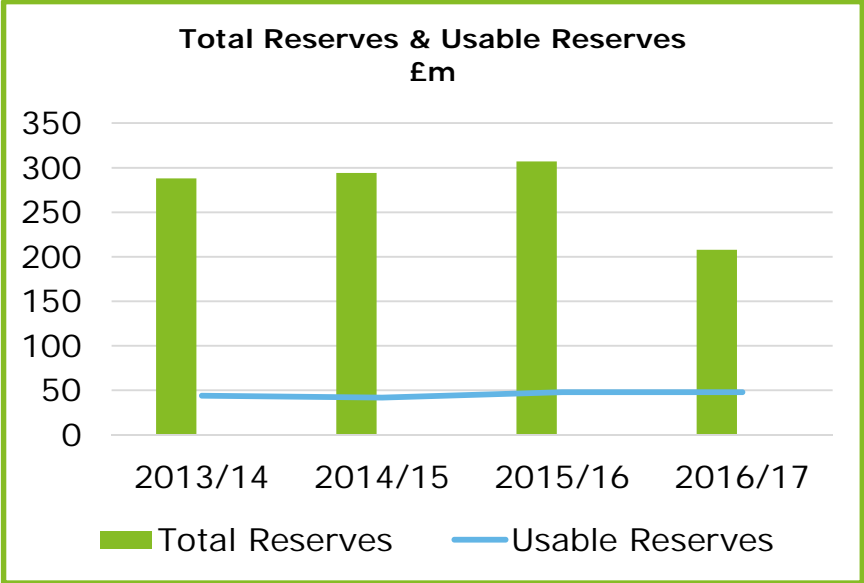
Does the Council have a sustainable policy in place for the use of reserves?

The Council has adopted a Reserve Strategy that is in line with the current economic climate and intends to maintain the uncommitted reserves at a minimum of 2% moving forward.

During the 2016/17 financial year the Council authorised the transfer of £9 million from their reserves to support a capital investment project (£3.8 million) and non-recurring revenue spend (£5.2 million), which left a General Fund Uncommitted Balance, or usable reserves, as at the 31 March 2017 of £6.1m, representing 2.34% of net revenue expenditure.

In the 2017-2018 budget the Council agreed that in order to achieve a balanced budget for the period they would utilise £5.3 million worth of reserves to support their budgeted revenue spend.

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



Deloitte view

The Council's planned use of reserves to fund investments will be sustainable in the short term. It is noted that the Council plan to keep the level of at a minimum of 2% of net revenue expenditure moving forward however it intends 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	Underspend
2012/13	£8.4m
2013/14	£7.6m
2014/15	£8.9m
2015/16	£6.7m
2016/17	£5.8m*

*This is inclusive of utilising a drawdown of £9million of reserves

2017/18 Savings Target

£5.6m

The Council has set a targeted savings value of £5.6m in the 2017/18 budget. These savings are allocated to specific initiatives of areas and the Council undertakes public consultation on savings proposals. Some of the savings identified included:

- Insurance premium cost reduction - £250k
- School roll adjustment - £300k
- School transport cost reduction - £130k

As part of the scenario planning undertaken when drafting the Financial Strategy 2017–2022, the Council has calculated that it expects to have to make total savings of between the region of £37.2m and £71.4m, depending on future funding levels and future demand for services.

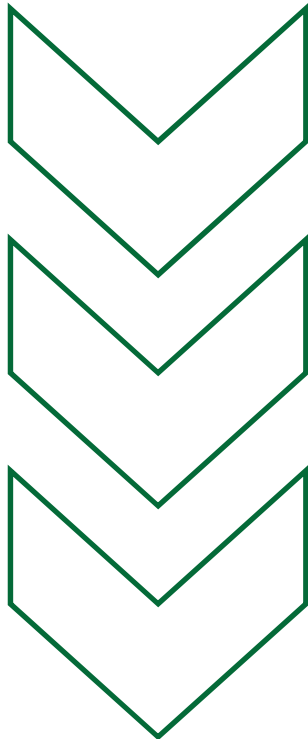
Deloitte view

The Council has achieved significant savings over the last 5 years however due to increasing demand for services and the continuing pressure in relation to Council funding settlements it is aware that a reduction in the services provided moving forward is now unavoidable and it will have to consider how it can transform service delivery through it's TSA Plan and further service efficiency initiatives as it will not be able to continue to meet citizens needs to the same level with the reduced budgets.

Wider scope requirements (continued)

Service delivery (continued)

Does the Council have a framework for evaluating its service delivery and identifying areas for improvement?



Service Reviews

The Council has an established service review programme to help transform and review services. It has a plan to review all Council services in a five year period. Service reviews include consultation with stakeholders such as employees, trade unions and service users.

Service and Improvement Plans

Service and Improvement Plans covering the period 2017-18 have been approved for all service areas. These set out what the Service intends to achieve over the next year based on the financial and other resources at their disposal. This plan identifies anticipated challenges and how the Council aims to meet them. It sets out how the Service relates to the Council's vision, strategic objectives and strategic outcomes, as well as the SOA objectives.

'How Good is Our Council' Framework

Services assess how well they perform in delivering their services using the "How Good Is Our Council?" framework. This framework is a self-evaluation toolkit based on European Foundation for Quality Management Principles. Services use improvement actions identified through this process to feed into the Service and Improvement Plans.

Deloitte view

The Council has an embedded process for ensuring there is a culture of continuous improvement across service delivered by the Council. Over the course of our audit appointment we will monitor how the Council evidences that this approach has effected improvements in service delivery.

Wider scope requirements (continued)

Service delivery

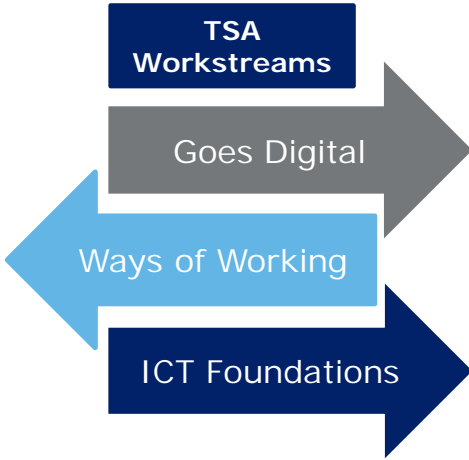
Does the Council have a Transformation Plan that links to the corporate priorities?

Transform South Ayrshire (TSA)

The Transform South Ayrshire (TSA) change programme was approved by Members in June 2016. It builds on Service and Improvement Plans and was developed to align the delivery of the organisation's various ongoing and planned projects to the Council's strategic priorities.

The vision for the TSA Programme is as follows:

- In 3 years**
- Our employees will have the skills, resources and flexible working environment to be efficient and effective as possible to deliver Council services.
 - Customers will be able to access information, request relevant Council Services and complete transactions via easy to use self-service digital channels.



The Council has established a Programme Board to drive forward this programme and a governance framework, encompassing monthly reporting to the TSA Steering Group made up of the Executive Officer Group and chaired by the Chief Executive, and regular report to the Elected Members through quarterly reports to the Service and Performance Panel, to manage and monitor the change effectively.



Deloitte view
The Council is at the early stage of implementing the TSA programme to support it to achieve its strategic objectives and to maintain the sustainability of its services. This will be a key area that we will monitor over the course of the audit appointment and assess against the targets set above by the Council additionally we will consider how the Council adopts more radical approaches to service redesign, how it ensures that projects deliver on time, on budget and most importantly, deliver the expected benefits for the citizens of South Ayrshire. We would also expect to see the Members playing a very active role in the transformation and we will also review how the Council ensures it has the transformational infrastructure in place, including an effective PMO function, benefits realisation tools and templates and an effective change management strategy to deliver this transformational change and provide significant improvements on where they are currently.

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 28 Elected Members and following the local election in May 2017, there is now a coalition administration made up of 9 SNP Councillors, 5 Labour Councillors and 2 Independent Councillors. The remaining 12 Councillors – all Conservative – form the Opposition.

The Council developed a comprehensive induction programme which all Elected Members were required to attend. The induction occurs from immediately after the election and continues for a number of months. It includes:

- Sessions to cover strategic issues/development of Council Plan;
- Workshops for Members on strategic/corporate issues;
- The Ayr Academy visit to cover a 'project';
- A series of 'Wednesday briefings' on relevant subjects;
- Several sessions to be presented by external providers, e.g. CIPFA, Audit Scotland, and
- Scrutiny training for members serving on scrutiny panel.

Follow up discussions are also held with Members to discuss personal development needs. From these discussions, training and development programme are drafted.

Officers

One of the themes in the Council Plan is centred on redesigning and transforming service delivery, and it is recognised that developing the workforce is a key enabler of this. Services consider what the workforce needs to deliver efficient and effective services to citizens when undertaking Service Reviews and monitoring, reviewing and refreshing Service and Improvement Plans, particularly the Employee and Customer Services Improvement Plan.

The Council recognises the need for its employees to have the correct skill set and continually learn, develop and enhance the staff's skills, knowledge and behaviour to meet the demands of their roles. Annual Performance Development Reviews are undertaken to determine individual training and development requirements.

As a large employer, the Council recognises that it has a key role to play in ensuring that equality is built into everything it does. The Council has developed an Equality and Diversity Strategy and the Council is committed to providing a positive, respectful and supportive working environment where equality is embedded in the culture and best practices applied by all member of the Council. Staff training is provided to support this.

Deloitte view

The Council places a great deal of importance of building up strong relationships with Members and proving the workforce with the support they need to achieve the Council's strategic priorities. Member involvement in transformation is one of the keys to success. We will review how the needs of officers and buy in of Members are taken into consideration as the Council implements its TSA programme, as well as other change activities, over the course of our audit appointment.

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 locals can access and provide feedback on any issues they are facing;
- Through the South Ayrshire 1,000 Citizens Panel, a panel that allows the Council and its partners to get the views of South Ayrshire residents through surveys, interviews and focus groups. The aspiration is for 1,000 citizens from a wide range of backgrounds to sit on the panel. Membership currently stands at around 930.
- Through an ongoing consultation programme where the Council gets feedback from the people about the work that they are doing or key changes to service delivery being proposed. Recent consultations have been undertaken on the Adult Community Mental Health Strategy 2017-22, the South Ayrshire Children's Services Plan and local landlords understanding of changes in legislation and regulation.
- The Council has undertaken Participatory Budgeting (PB) initiatives which give residents the opportunity to decide where public money is spent in their communities. The Council has a Community Grant Programme where they use PB to allocate small grants at locality planning level. During 2016/17 twelve PB events were held, involving 311 community groups, with a total of 1,700 people involved. Decisions in relation to £253k of Council expenditure were made through PB in the year, equivalent to 0.38% of total Council net expenditure. An example of such an initiative is provided on page 44.



The Council is also developing a Consultation Strategy to provide direction for community engagement. Whilst the target for completing this document has slipped from May 2017, the draft strategy has been considered by the Corporate Management Team and it is being progressed by the Best Value Working Group.

Deloitte view

The Council places strong emphasis on encouraging community participation in Council decision making. We recommend that the Council ensures that the completion of the Consultation Strategy is made a priority to ensure that there is a framework for undertaking activity in this area. We will also monitor how this current engagement approach is maintained through the upcoming transformation of Council services through the implementation of the Council's TSA Programme. We note the baseline level of Participatory Budgeting and we would expect to see this increase over the next 5 years.

Wider scope requirements (continued)

Citizen Involvement (continued)

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

Participatory Budgeting – Case Study
Decision Days held in Troon and Prestwick

Two Decision Days have been held to date in Troon Walker Hall, in June 2016 and February 2017, with two decision days also held to date in Prestwick Academy, in September 2016 and March 2017.

At each day, groups made their pitches for funding with those who attending voted on how the money should be distributed.

The events saw funding awarded that were aimed around issues that were important to local people such as reducing social isolations and loneliness, addressing transport issues and keeping local people independent and well.

There were a high number of applications for funding which indicates that being able to influence how funding is targeted is important to the local community.

Examples of some of the successful awards from the Decision Day held in Prestwick in June 17 are detailed in the adjacent table.

Examples of Successful Projects from Prestwick Decision Day

Bidder/Cause	Amount
<p>New Life Trust (Diamonds Befriending) To provide training for our bank of befrienders and to purchase mobile phones.</p>	£3,000
<p>Monkton Senior Citizens To help fund our chair based exercise programme, as we need suitable chairs and resistance bands. It will also help pay for publicity material.</p>	£1,000
<p>St Ninian’s Parent Council To buy outdoor equipment for pupils to help support co-operative play, encourage physical activities and encourage pupils to interact with each other outside the classroom.</p>	£1,000
<p>Symington Caledonian (Shaw Park Posts Project) To improve Shaw Park Pavilion by replacing the fixed goals presently in place with a mobile variety.</p>	£3,000
<p>Syminton Library (Living Well Through Stories) To find provision of interactive theatrical performances to stimulate a greater sense of self and wellbeing for people with dementia, as well as the lonely and isolated in the local community, helping people to connect with each other in a positive way.</p>	£738

Wider scope requirements (continued)

Public performance reporting

How does the Council monitor Performance and Outcomes?

The Councils annual performance journey is undertaken through a 'Plan-Deliver-Review-Revise' framework. This framework helps the Council to assess not only what they have managed to achieve, but how effective they are and the identification of area in which they need to improve. It also uses the Service and Improvement Plans and 'How Good Is Our Council' Framework to monitor and manage performance, as noted previously.

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, including an Annual Performance Report, is used to keep key stakeholders, including communities, Elected Members and partners up to date on the Council's performance. Scrutiny of performance is undertaken by Members at the Service and Performance Panel, which meets regularly. Performance reports and plans, including quarterly performance updates, are also available for the public to view on the Council website. Below is an excerpt of the Annual Performance Report 2016/17, which shows the type of performance information that is provided on whether strategic objectives are being achieved.

Strategic Objective: Working in partnership to maximise the potential of our local economy

Key Measures	2013/14 Value	2014/15 Value	2015/16 Value	2015/16 Target	2015/16 Status	Trend
SOL.1.01 Employment rate (aged 16-64)	73.3%	72.3%	72.1%	Increase	🔴	⬇️
SOL.1.03 LSEF Percentage of unemployed people assisted into work from Council operated / funded Employability Programmes	9.7%	9.9%	Data due Jan 2017	10%	N/A	⬆️
SOL.2.01 Number of business start ups in South Ayrshire supported by the Enterprise Service and their partners	266	323	213	240	🔴	⬇️
SOL.2.04 No. of jobs created and safeguarded by Council economic development activities (FTE)	1,720	897	910	580	🟢	⬆️
SOL.2.05 Percentage of premises with access to next generation broadband	68%	79%	82%	78%	🟢	⬆️
SOL.2.06 Average timescale (weeks) to determine a local business and industry planning application	7.1	8.7	6.9	8	🟢	⬆️
SOL.2.11 Number of social enterprises assisted by the Council surviving more than 2 years	N/A	N/A	23	14	N/A	
SOL.3.03a Percentage of young people aged 16-29 leaving the Council's Employability Programmes and going on to a positive destination.	N/A	N/A	72%	82%	🟢	N/A
SOL.3.04 LSEF Percentage of school leavers going into positive and sustained destinations (initial survey)	92.1%	94.3%	Data due Feb 2017	Increase	N/A	⬆️
SOL.3.14 Number of adults that have improved their literacy skills (includes ESOL)	1,185	1,295	1,095	1,184	🔴	⬇️
SOL.4.01 Vacant retail units as % of total retail units in key town centres (Ayt, Girvan, Maybole, Prestwick, Troon)	13%	12%	Not reported	13%	N/A	⬆️
SOL.5.07 Number of tourists to South Ayrshire	1,388,000	1,442,000	1,411,000	Increase	🟡	⬆️
SOL.5.08 Level of spend by visitors	£122.97m	£248.09m	£247.87m	Increase	🟢	⬆️

Strategic Objective: Working in partnership to maximise the potential of our local economy

Key Actions	Status
CM.5 Develop and implement the Community Learning Development Plan	🟢
EC.1 Facilitate the creation of jobs and employment opportunities for the benefit of local unemployed people and employers	🟢
EC.2 Deliver the Council's Employability priorities	🟢
EC.3 Deliver the Work Out And Certificate of Work Readiness elements of the Ambition Programme	🟢
EC.3.2 Support young people in the Senior phase of Curriculum for Excellence to develop vocational and employability skills and progress to a positive destination	🟢
ED.1 Deliver, monitor and evaluate the impact of a unified senior phase	🟢
ED.1 Deliver the Ambition Programme (Start Up & Growth)	🟢
ED.2 Support Prestwick Airport Regeneration	🟢
ED.3 Improve and exploit digital connectivity	🟢
ED.9 Conclude the preparation of a Local Development Plan on Retailing and Town Centres	🟢
ED.10 Deliver the Creative Scotland Place Partnership Plan	🟢
ED.11 Deliver the Arts and Culture Strategy	🟢
ED.12 Support the delivery of the Ayrshire and Arran Tourism Strategy (incl. Belleisle Park)	🟡
ED.19 Develop Ayrshire Growth Deal	🟢

Deloitte view
 There is a clear framework in place to ensure that Council performance is monitored and reported. Performance information is readily available to South Ayrshire citizens.

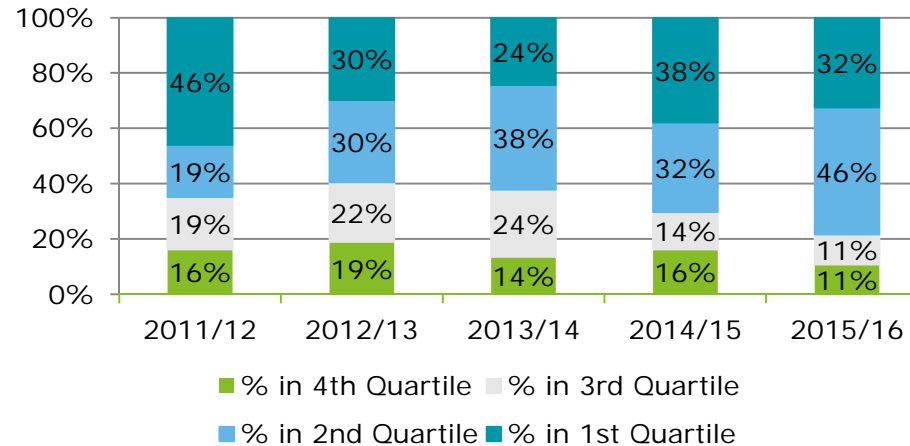
Wider scope requirements (continued)

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*.

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



Deloitte view

The number of indicators in the first and second quartile has shown sustained improvement over the last five years from to 65% in 2011/12 to 78% in 2015/16. Over the next five years, we will develop a detailed understanding of the Council's performance, including:

- How strategic objectives are agreed and reviewed and whether they link the Council's vision and Council Plan objectives;
- How the Council is performing against its key strategic objectives 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 is provided in the table.

	Total
Total matches flagged	4,563
Total recommended matches to be investigated	1,131
Total processed	793
Frauds	0
Errors	31
Outcome	£34,802

Deloitte view

South Ayrshire Council are engaged with the NFI exercise. The key contact and the Audit and Governance Panel 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.

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 January 2017 to update the shared risk assessment with the Chief Executive. 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 20 to 22.
- **South 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	On Target	None to date
Bus Service Operator Grant	30 September 2017	On Target	None to date
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 Governance Panel 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 separately.

This report has been prepared for the Audit and Governance Panel 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.

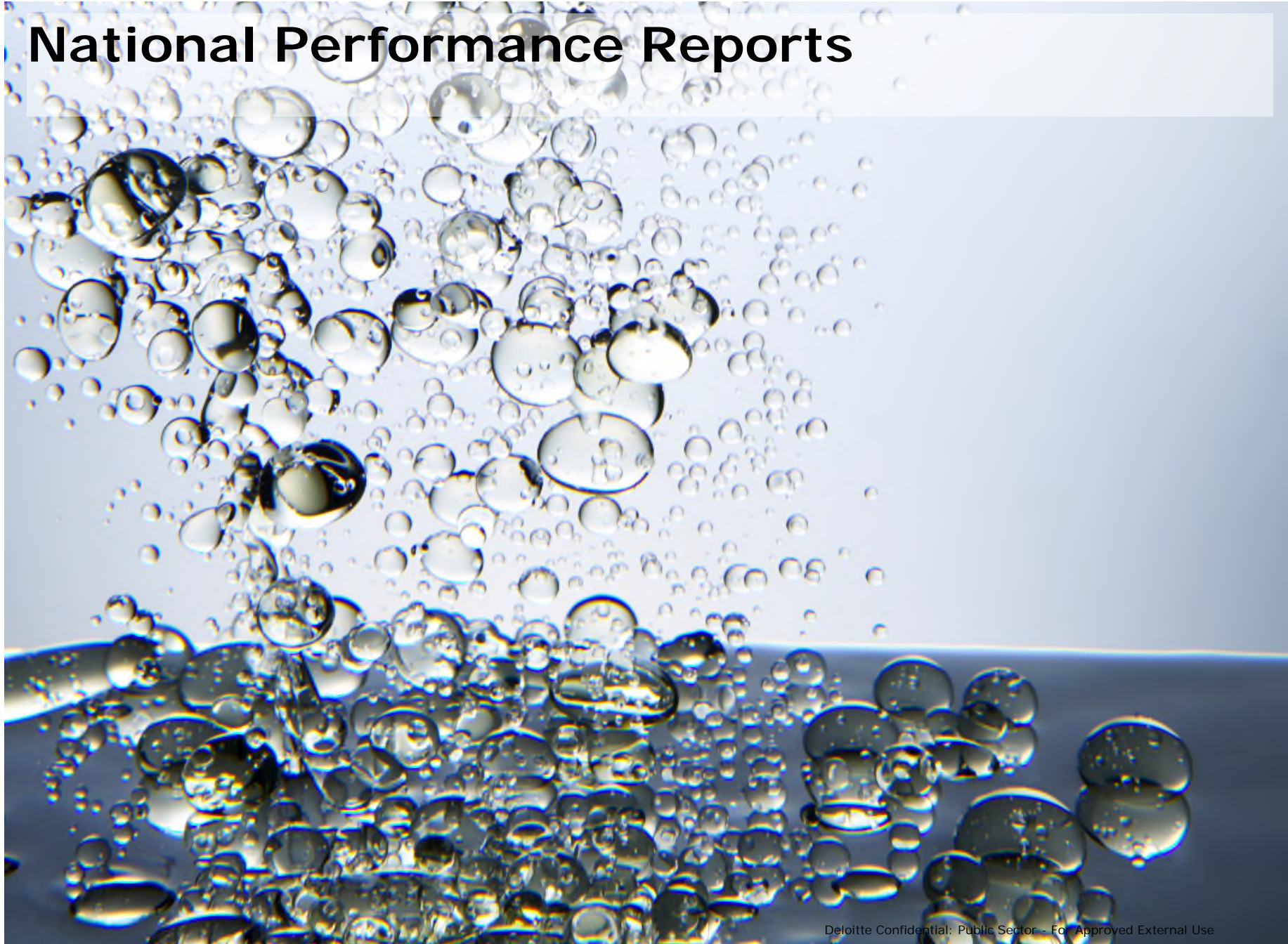


Deloitte LLP

Glasgow

26 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 South 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.

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 South Ayrshire Council

Throughout the report, Audit Scotland identify 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.

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 South Ayrshire Council

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

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 uncorrected misstatements and disclosure deficiencies

There are no uncorrected misstatements above our clearly trivial threshold or uncorrected material disclosure deficiencies. We identified a small number of immaterial adjustments which management have corrected.

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
PPE	When uploading revaluation data onto Technology Forge we recommend the upload spreadsheet is reviewed prior to its upload.	Additional procedures will be added to the new protocols introduced in 2016/17.	Ijaz Bashir – Asset Systems Manager	31 March 2018	
Governance	With the election of new councillors, management should take the opportunity to emphasise the overview and scrutiny role of members and this should be evidenced as far as practicable in the meeting minutes.	Members' Briefing sessions will be tailored to emphasise this role for Members, including the importance of Members evidencing their overview and scrutiny at Council and Panel meetings.	Ralph Riddiough – Head of Legal and Democratic Services	31 March 2018	

Key:



High Priority





Medium Priority



Low Priority

Action plan

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Sustainability/ Transformation	Management should note the baseline position of the Council against the Strategic Audit Priorities, outlined on pages 32-33. As part of our ongoing work, External Audit will monitor the Councils performance over the course of our 5 year appointment.	Management has noted the position identified by the auditors and will work to deliver improvements against this position over the course to their appointment.	Best Value Working Group	N/A	
Bank Account Reconciliations	We recommend that management ensure the control procedures in relation to bank reconciliations are fully applied to confirm that unmatched items are matched accurately and in a timely manner.	Control procedures will be reviewed to ensure timely action taken.	Tom Simpson – Corporate Accounting Manager	31 December 2017	

Key:



High Priority



Medium Priority



Low Priority

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 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 Governance Panel 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:

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.
Fees	<p>The fee for 2016/17 is £268,710 as detailed in our Audit Plan.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
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	<p>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.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



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:

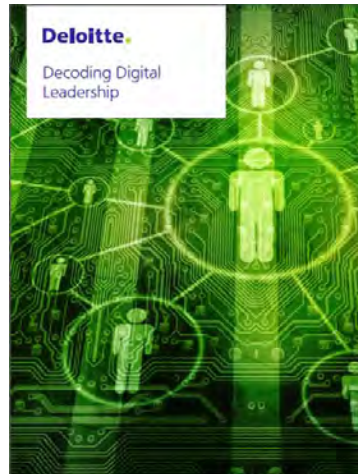
<http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html>

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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