
NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title: External Audit Report on Audit Dimensions and Best Value for 2020/21

Purpose: To inform the Committee of the findings from the External Audit Report on Audit Dimensions and Best Value for 2020/21.

Recommendation: That the Audit and Scrutiny Committee (a) notes the findings contained in the External Auditor's Audit Dimensions and Best Value report at Appendix 1; (b) notes the sector developments as outlined in the report; and (c) considers the verbal report by the External Auditor.

1. Executive Summary

- 1.1 Deloitte LLP has been designated as the Council's external auditors for the six year period 2016-2022. 2020/21 is the fifth year of this appointment.
- 1.2 This report on the Audit Dimensions and Best Value provides the Audit and Scrutiny Committee with the external auditor's findings across the four audit dimensions, within the scope of the 2020/21 audit work, and the review of the arrangements made by the Council for securing Best Value.
- 1.3 The overall conclusions of the report state that the Council :
- has strong financial management arrangements;
 - is financially sustainable in the short term;
 - needs to develop detailed plans to bridge the medium and long term funding gap;
 - has made good progress on Transformation;
 - demonstrates strong leadership;
 - has a clear and robust performance management framework; and
 - has robust arrangements in place to secure Best Value.
- 1.4 The unaudited accounts for 2020/21 are due to be presented to Council on 23 June 2021 and to the Council's external auditors, Deloitte LLP, for audit. The external audit Annual Report will be presented to the Audit and Scrutiny Committee in September 2021.

2. Background

- 2.1 Deloitte LLP has been designated as the Council's external auditors for the six year period 2016-2022. Deloitte LLP has also been appointed as the auditors for the North Ayrshire Integration Joint Board. 2020/21 is the fifth year of this appointment.
- 2.2 A report on the Audit Dimensions and Best Value for 2020/21 has been prepared by the external auditors and is included in appendix 1. This report provides the Audit and Scrutiny Committee with the external audit findings across the four audit dimensions within the scope of the 2020/21 audit work. They include:
- Financial Management;
 - Financial Sustainability;
 - Governance and Transparency;
 - Value for Money
- 2.3 The report also incorporates a review of the arrangements made by the Council for securing Best Value, including an update on the progress made against the recommendations contained within the Best Value Assurance Report presented to Council on 23 September 2020.
- 2.4 In addition, the report examines North Ayrshire Council's preparedness in relation to the identified emerging issue of Climate Change and highlights sector developments designed to share research and best practice. These include the Independent Review of Adult Social Care in Scotland and the Scottish Futures Trust's report – New Frontiers for Smarter Working, Work and Workplace post COVID-19.
- 2.6 A summary of the key conclusions from the report include:

Financial Management

The Council continues to have strong financial management arrangements which are robust enough to manage financial activity and capture and address any financial challenges to the achievement of the financial targets.

Financial Sustainability

The Council is financially sustainable in the short term.

The Council has re-assessed its medium and long term financial planning to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. Detailed plans need to be developed to identify how the Council will bridge the projected funding gap over the medium and longer term.

The Council has made good progress on Transformation with the development of the Recovery and Renewal Strategy, the Renewal Programme and the Transformation Benefits Realisation Monitoring Framework.

Governance and Transparency

The Council continues to have strong leadership, demonstrated in the collaborative response to COVID-19, and exercises sufficient oversight and scrutiny of the Health and Social Care Partnership's activities.

Value for Money

The Council has a clear and robust performance management framework in place and has clear strategies in place for progressing the equalities agenda.

Best Value

The Council has robust arrangements in place to secure Best Value and has a clear understanding of areas which require further development.

2.7 The unaudited accounts for 2020/21 are due to be presented to Council on 23 June 2021 and to the Council's external auditors, Deloitte LLP, for audit. The external audit Annual Report will be presented to the Audit and Scrutiny Committee in September 2021.

3. Proposals

3.1 It is proposed that the Audit and Scrutiny Committee (a) notes the findings contained in the external auditor's Audit Dimensions and Best Value report; (b) notes the Sector Developments as outlined in the report; and (c) considers the verbal Interim Report by the external auditor.

4. Implications/Socio-economic Duty

Financial

4.1 None.

Human Resources

4.2 None.

Legal

4.3 None.

Equality/Socio-economic

4.4 None.

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 This report directly supports the Council Plan 2019 to 2024 by maximising resources and providing value for money to support financially sustainable delivery models.

Community Wealth Building

4.7 None.

5. Consultation

- 5.1 Deloitte LLP consulted with the Head of Service (Finance) and other Council Chief Officers in preparing their report.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

None



North Ayrshire Council

**Report to the Audit and Scrutiny Committee on the 'Audit Dimensions and Best Value'
for the year ended 31 March 2021**

Issued on 24 May for the meeting on 1 June 2021

Contents

01 Our report

Introduction 3

Audit dimensions and best value

Overview 6

Financial management 7

Financial sustainability 12

Governance and transparency 22

Value for money 26

Best Value 31

Emerging issues – climate change 34

02 Sector developments

Independent Review of Adult Social Care 37

Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19 39

03 Appendices

Purpose of our report and responsibility statement 41

Introduction

The key messages in this report

Background:

As set out in our audit plan, the Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland.

Our audit work has considered how the Council is addressing these and our conclusions are set out within this report.

Scope of audit

Our audit work was risk based and proportionate, covering the four audit dimensions as follows:

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

Our responsibilities in relation to the Accounts Commission's Strategic Audit Priorities ('SAP'), the Statutory Performance Information ('SPI') Direction and Best Value ('BV') have all been incorporated into this audit work.

I have pleasure in presenting our report to the Audit and Scrutiny Committee ('the Committee') of North Ayrshire Council ('the Council') as part of our 2020/21 audit responsibilities. I would like to draw your attention to the key messages from this paper.

As discussed in our audit plan, the risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Council has responded to these risks.

Our overall conclusions on each dimension are summarised below, with full details provided in the main body of the report:

Financial Management

The Council continues to have strong financial management arrangements. The General Fund is projecting an underspend of £0.974m. While the Council continues to engage with COSLA and the Scottish Government in relation to the financial flexibilities available to address the impact of the COVID-19 pandemic, these are not expected to be used in 2020/21. We are pleased to note additional work was carried out by the internal audit team in relation to COVID-19 funding to check for duplicate payments in response to the increased fraud risk in this area.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements.

Financial Sustainability

The Council continues to have appropriate arrangements in place for updating the medium-term position as part of its annual budget process. Whilst the Council is anticipating a balanced budget for 20/21, this is in part assisted by the one-off non-recurring funding made available by the Scottish Government for COVID-19 related costs, which is expected to continue to be funded in 21/22. The refresh of the Long Term Financial Outlook ("LTFO") is also a positive step to enable the Council to manage the financial challenges that it faces and to make well-informed decisions which are aligned to Council strategic priorities. Post-pandemic recovery should continue to remain an area of focus for the Council.

The Council has continued to make good progress during 2020/21 with transformation. This includes updating of the Council Plan strategic priorities in line with the Renewal and Recovery Strategy, and the review and update of T3 transformation projects in response to the Renewal and Recovery Strategy to take into consideration the impact of COVID-19. In response to the BVAR recommendation, it is positive to see that the Council is developing a Transformation Benefits Realisation Monitoring Framework to provide greater oversight of the transformation activities and the linkages with the budget, Medium Term Financial Strategy ("MTFS") and LTFO.

Introduction (continued)

The key messages in this report (continued)

Financial Sustainability (continued)

In response to the BVAR recommendation, it is also positive to see that a Future Working Environment project is underway as part of the Council's Recovery and Renewal activity, building on the results of staff surveys which indicate a strong appetite for remote working arrangements and improving links between workforce planning and the Council's transformation.

Governance and transparency

The Council continues to have strong leadership and the transition of the new Heads of Services during the year went smoothly with all appointments made internally following appropriate recruitment exercises. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners.

In line with our previous year's conclusions, the Council continues to be open and transparent. The North Ayrshire Integration Joint Board ("IJB") has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging. This is being actively monitored by the Council.

The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing, however, we are satisfied that there are plans in place to carry out a comprehensive review of the Medium Term Financial Plan ("MTFP") and strategic commissioning plan during 2021 and 2022.

Value for money

The Council continues to have a clear and robust performance management framework in place through the Local Outcomes Improvement Plan 2017-2022 ("LOIP"), which includes performance measures aligned to the National Performance Framework. This also includes arrangements to comply with the new SPI Direction.

We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery. This should also continue to focus on reducing inequalities in North Ayrshire through the Equality Outcomes plan 2021-25.

Best value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development. We have considered the Council's arrangements for best value and response to the best value audit report ("BVAR") on pages 31 to 33.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Council on pages 37 to 39 of this report.

In particular, we followed up on our previous high level assessment of where the Council is in its response to the Climate Change Agenda, discussed on page 34 and 35.

Next steps

An agreed Action Plan is included on pages 32 to 33 of this report, including a follow-up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2021/22 audit.

Added value

Our aim is to add value to the Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our "sector developments" on pages 37 to 39 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB

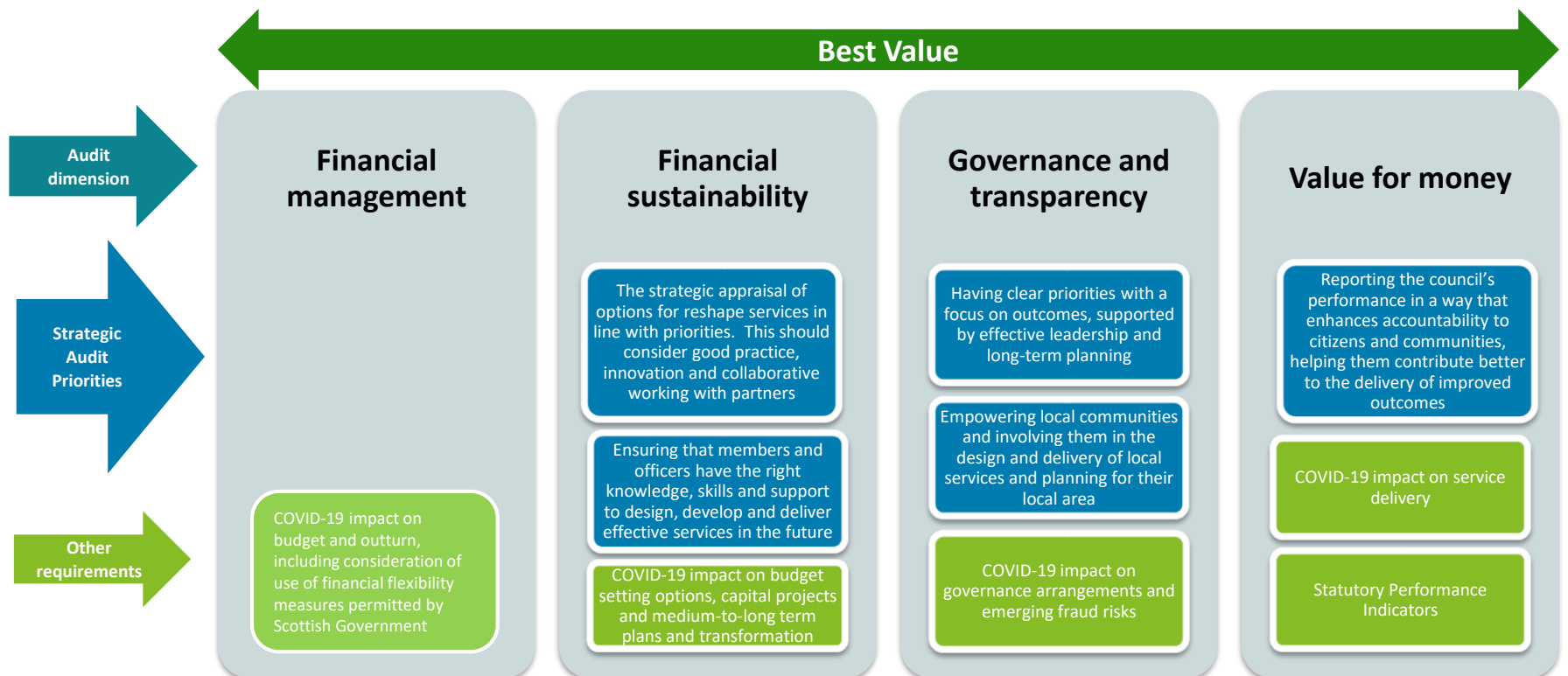
Audit Dimensions and Best Value

Overview

As set out in our audit plan, public audit in Scotland is wider in scope than financial audits. This report sets out our findings and conclusions on our audit work covering the following areas. Our report is structured in accordance with the four **audit dimensions**, but also covers our specific audit requirements on Best Value, the Accounts Commission's **Strategic Audit Priorities** and the **Statutory Performance Information** Direction.

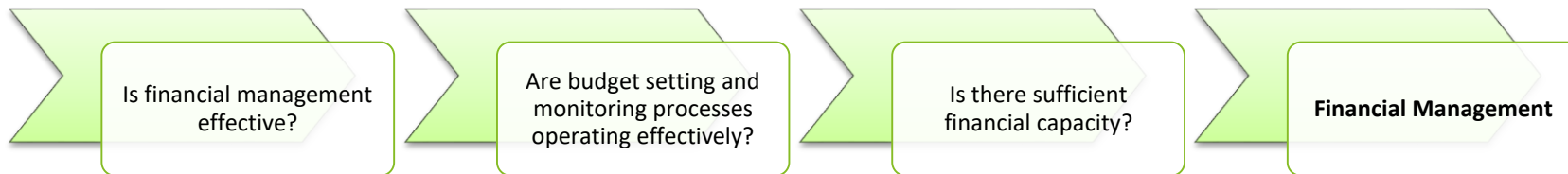
The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Council has responded to these risks.

In recognition of the demands on auditors' time and the challenges of remote auditing, the Commission agreed that auditors are not required to specifically consider and report on the SAPs as part of the 2020/21 audit. The SAPs continue to be important but the work on the audit dimensions will be used to inform progress. We have therefore set out below how each SAP inter-relates to the audit dimensions.



Financial management

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



Areas considered

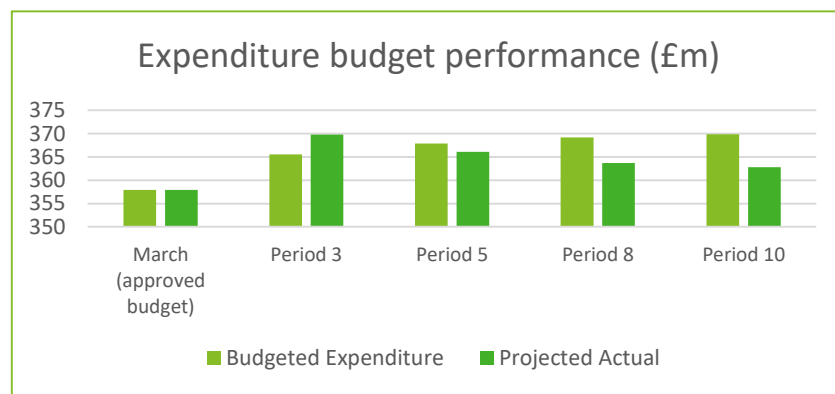
Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to financial management, we would continue to review the Council's financial management arrangements. In addition, we also identified the following risk:

"Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal control change. In accordance with Audit Scotland planning guidance, we will consider fraud as a particular focus area in 2020/21."

Current year financial performance

2019/20 conclusion: The Council continued to have effective financial planning and management arrangements in place, with the final general fund and HRA reporting underspends in-year compared to the original budget, which were clearly reported throughout the year, along with regular progress on the capital programme.

2020/21 update: The **General Fund** budget of £357.928m was approved by the Council on 5 March 2020. This includes use of earmarked reserves of £0.548m on a non-recurring basis to balance the budget. It has been updated throughout the year to include in-year movements and the latest projected position is a net underspend of £0.974m against a revised budgeted of £369.880m.



The key reasons for the projected underspend are

- **Chief Executive** – Overspend of £0.270m due to updated projections in relation to Housing Benefits and under recovery of income, partly offset by vacancy management savings across the service.
- **Communities** – Underspend of £0.479m is primarily due to the delayed implementation of the expansion of Early Learning and Childcare, partly offset by the additional support offered to North Ayrshire Leisure Limited.
- **Place** – Overspend of £0.998m primarily related to the under recovery of income partly offset by reduced expenditure linked to COVID-19 restrictions.
- **Other Corporate Items** – Underspend of £7.904m primarily due to additional COVID-19 support funding of £6.640m.
- **IJB** –£5.812m of additional COVID-19 Support funding has been allocated by the Scottish Government during 2020/21 for use future years and will be carried forward to 2021/22.

Financial management (continued)

Current year financial performance (continued)

Scottish Government non-recurring COVID-19 funding has been confirmed for 2020/21 as £29.403m for 2020/21 and a further £6.731m for 2021/22. This includes funding for vulnerable families, funding to meet the costs of the Education recovery, and other funds to help to address financial pressures associated with the pandemic.

The Council has noted that local authorities continue to engage with COSLA and the Scottish Government around additional support measures including a range of financial flexibilities which may be applied to address the financial impact of the pandemic on both the revenue and capital accounts. Based on the draft guidance, the Council has concluded that the medium term benefits are limited and anticipates that these measures may be more effectively used to offset potential legacy cost and income pressures in future years. Given the projected underspend position, there are currently no plans to use these flexibilities in 2020/21.

The **Housing Revenue Account (HRA)** budget, agreed by the Council on 18 December 2019, is projecting a full year underspend of £3.473m. This has been consistently reported to members throughout the year as part of the normal reporting cycle. The primary reason for the underspend is due to a £2.577m underspend in property costs, which is largely due to COVID-19 restrictions which have restricted the repairs and maintenance work that could be completed during the year.

We have assessed the processes in place for allocating costs to the HRA and determined that there are specific rules on the allocation of costs to the HRA. In particular, central support costs are allocated based on the underlying drivers, for example the percentage of time spent on internal audit work, information governance and communications. Staff costs in relation to the Director and Head of Service are apportioned on a consistent basis. A robust and consistent process is therefore in place to ensure compliance with all legal requirements.

The Council has an ambitious long-term **10-year capital programme**, as discussed further on page 15. Progress against this plan is reported regularly to Cabinet.

A summary of the original and revised budgets and projected outturn for the general services and HRA capital investment programmes ("CIP") is provided in the table below.

	General Services (£'000)	HRA (£'000)
Original budget	65.388	68.448
Revised budget	38.834	43.891
Projected outturn	38.746	44.100
Projected underspend	0.087	0.209

The significant change from the original budget is due to having to re-profile a significant portion of capital projects to future years due to the COVID-19 restrictions impacting on the construction industry.

The most significant areas of capital expenditure for 2020/21 include:

- **General services** – Communities, relating primarily to spending on schools totalling £18.437m;
- **General services** – Road improvement of £9.016m; and
- **HRA** – Council house building programme £31.377m.

2020/21 conclusion: The Council continues to have effective financial planning and management arrangements in place. The projected general fund and HRA position are expected to be largely in line with the original budget, with the projected outturn clearly reported throughout the year, along with regular progress on the capital programme. The impact of COVID-19 on the financial position has been clearly reported.

Financial management (continued)

Savings plans

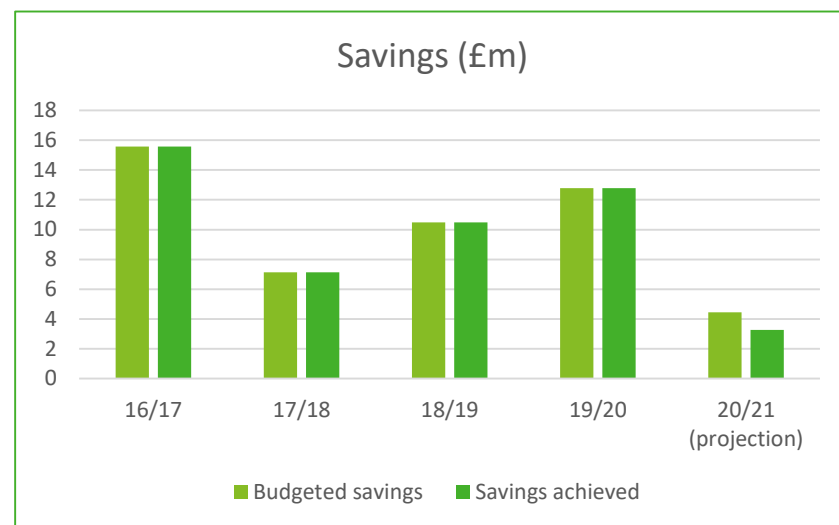
2019/20 conclusion: The savings targets set by the Council have increased in comparison with previous years reflecting the financial challenges faced by the Council and need to continually deliver recurring reduction in costs. It is positive to note that whilst the targets are increasing, these have largely been achieved.

2020/21 update: The approved 2020/21 budget (highlighted in the chart to the right) included savings plans of £4.439m. Progress against this target was closely monitored through monitoring reports to Cabinet. The Council is forecasting that the majority of these savings will be achieved, with the exception of a few areas totalling £1.169m, which are largely impacted by COVID-19. COVID-19 funding from the Scottish Government is confirmed, and it is forecast that these remaining savings actions will be fully implemented following the end of current COVID-19 restrictions and that there will be no recurring impact on the delivery of future savings or the transformation programme. Examples of areas impacted include:

- Delays in the implementation of 1140 hours provision within Early Learning and Childcare;
- Planned savings linked to property rationalisation; and
- Other minor shortfalls due to COVID-19, such as in relation to reviews of the Additional Support Needs, Music and Education Psychology services and capital programme design work.

The chart to the right demonstrates that savings targets have decreased year-on-year but that these are realistic savings as demonstrated by the fact that these have been achieved in each year.

2020/21 conclusion: The savings targets set by the Council have decreased in comparison with previous years and the latest projections anticipate falling short of the targeted savings of £4.439m as a result of COVID-19. Whilst the full targeted savings won't be achieved for the year, compensatory savings have been identified in year. In addition, COVID-19 non-recurring funding from the Scottish Government has been confirmed. It is important that robust plans are put in place to ensure savings plans are achieved in future years.



Financial reporting

2019/20 conclusion: The Council continued to have strong financial management arrangements in place. This was consistent with the conclusions from the BVAR report which concluded effective financial management arrangements are in place.

2020/21 update: The Council approved its 2020/21 budget on 5 March 2020. The Executive Leadership Team and Councillors regularly review progress against budget throughout the year, with quarterly reporting to the Cabinet for both revenue and capital expenditure. From review of the reporting throughout the year, variances are clearly reported and explained.

2020/21 conclusion: The Council continues to have strong financial management arrangements in place with timely reporting.

Financial management (continued)

Financial capacity

2019/20 conclusion: The Council has a sufficiently qualified and experienced finance team to support the financial management of the Council. The change to Section 95 Officer role from 1 April 2020 transitioned smoothly.

2020/21 update: The finance team has remained consistent throughout the year. Whilst COVID-19 has created additional work for the team, including the additional reporting requirements to the Scottish Government and administering of the business support grants, this is being well managed.

2020/21 conclusion: The Council continues to have a sufficiently qualified and experienced finance team to support the financial management of the Council.

Internal audit

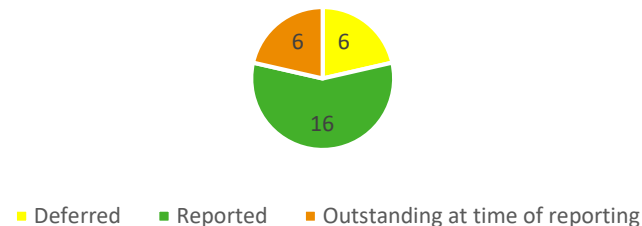
We have assessed the internal audit function, including its nature, organisational status and activities performed. We have also carried out a review of the internal audit reports published throughout 2020/21. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2020/21 Internal Audit Plan was approved by the Audit and Scrutiny Committee on 27 March 2020. The plan comprised 28 separate audits and a total of 621 audit days for the year. Regular progress reports have been reported to the Audit and Scrutiny Committee throughout the year. The status of the internal audit plan is summarised to the right.

Of the 16 internal audits completed to date, it is positive to note that 10 reports contained substantial assurances and 5 reports contained reasonable assurances, with only 1 containing limited assurance relating to "Remote Access Controls Around the Education Network".

The primary impact of COVID-19 on the internal audit team has been the inability to attend sites of the planned work, which has resulted in 6 projects being deferred to 2021/22. Good progress has been made in implementing recommendations raised by internal audit.

Internal Audit Plan 20/21 Overview



We will also consider the work of internal audit as part of our audit work on the Annual Governance Statement and report our conclusions in our final report to the Audit and Scrutiny Committee in September 2021.

Standards of conduct for prevention and detection of fraud and error

We have assessed the Council's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the increased risk of fraud as a result of COVID-19. Overall we found the Council's arrangements to be to be designed and implemented appropriately.

We are particularly pleased to note that in response to the increased risks as a result of COVID-19 funding, a data matching exercise was carried out on a pan-Ayrshire basis through the internal audit team to check for duplicate payments.

Our responsibilities under International Standards of Auditing have changed in the year and require specific reporting on irregularities. We will therefore continue to monitor the effectiveness of the Council's arrangements in place ensuring they are designed and implemented effectively, and will report on this in our independent auditor's report in the Annual Accounts.

Financial management (continued)

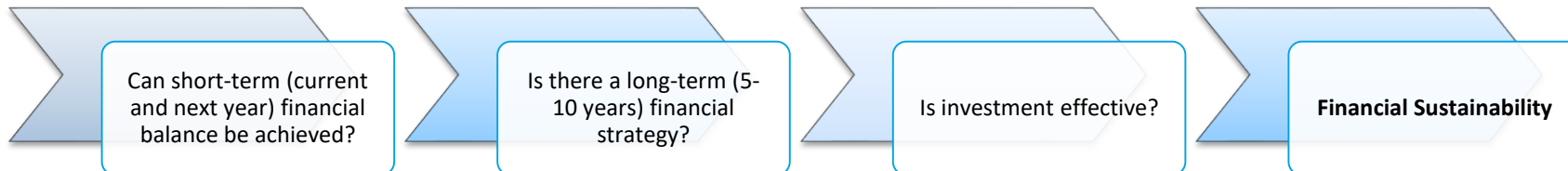
Deloitte view – financial management

The Council continues to have strong financial management arrangements which are robust enough to manage financial activity and capture and address any challenges to the achievement of financial targets. The General Fund is projecting an underspend of £0.974m. While the Council continues to engage with COSLA and the Scottish Government in relation to the financial flexibilities available to address the impact of the COVID-19 pandemic, these are not expected to be used in 2020/21.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements. The internal audit programme has been impacted to a limited extent due to the COVID-19 pandemic. Of particular note is the additional work carried out in relation to COVID-19 funding to check for duplicate payments in response to the increased fraud risk in this area.

Financial sustainability

Financial sustainability looks forward to the medium and longer term 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

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that the Council had recently updated its estimate of its funding shortfall, which is now £120m over the next ten years, with a £40m gap over the next three years. We concluded that:

“There therefore remains a significant risk that robust long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively, identifying issues and challenges early and act on them properly.”

Budget setting

2019/20 conclusion: The impact of COVID-19 on the ability to achieve short term financial sustainability presents a risk to the Council. We concluded that the Council has a robust planning and monitoring process in place for achieving savings and has, historically, achieved the majority of savings targets in place. It is also positive to note that the Council is actively assessing the financial impact of COVID-19. There does, however, remain a risk, therefore it is important that the position is closely monitored.

2020/21 update: The Council approved a balanced budget of £365.296m for 2021/22 on 4 March 2021. This incorporated an initial budget gap of £0.490m for which a detailed savings plan have been developed. The 2021/22 budget includes a draw on reserves of £0.862m on a non-recurring basis.

In setting its budget, the Council recognised that, whilst projecting to achieve short-term financial balance, a number of risks exist, including:

- Risks associated with the achievement of the 20/21 budget, largely linked with COVID-19, which could have consequences for the 21/22 budget;
- Financial Environment – Funding not keeping pace with cost of service delivery;
- Financial Sustainability of the Health and Social Care Partnership (“HSCP”); and
- Delivery of the Transformation and Renewal Programme to address projected future budget deficit.

The latter three risks are also included in the Council’s Strategic Risk Register. Risk ratings have also been assigned to each savings plan to support the target of £0.490m, with two of the areas highlighted as low risk and the other two as medium risk.

Because the settlement agreed by the Scottish Government has been for only one year this has relieved some of the pressure in making difficult decision which would have been made if there was a three year settlement. As part of the budget paper, the Council has noted that in relation to the Scottish Government settlement funding for income loss recovery scheme, the overall support allocation due to be distributed to local authorities has increased from £90m to £200m. Although this has yet to be distributed it will include funding to support Arms-Length Organisations. Based on the current forecast 2020/21 position this funding will be required to support the ongoing impact of the pandemic on income streams in 2021/22.

Financial sustainability (continued)

Budget setting (continued)

As noted on page 8, the range of financial flexibilities available to address pressures is still being discussed with CoSLA and the Scottish Government. The Council has noted that based on the draft guidance, the medium term benefits to the Council are relatively limited. It will continue to monitor the potential benefits as the guidance is developed and will seek Council approval for the use of such flexibility to meet COVID-19 related pressures should this need arise through 2021/22.

The impact of the UK's withdrawal from the EU is not specifically referred to within the 2021/22 budget. However, there have been regular reports to the Audit and Scrutiny Committee throughout the year. An "EU Exit Preparedness Group" is in place whose remit includes establishing information on likely impacts on service delivery resulting from different EU exit outcomes. The latest report acknowledges that the short-term risks have substantially reduced with the agreement of the Deal, and that the long-term economic impact remains the key risk for the Council. This is reflected in the Corporate Risk Register.

Elected members were fully involved in the budget process in advance of the formal budget setting meeting. This included comprehensive budget sessions in December 2020 and February 2021 with all elected members. As part of these sessions, members were taken through the key planning assumptions, the financial gaps and the options available to close the gaps. The sessions not only covered the 2021/22 position, but also looked to the medium term to 2023/24 and considered the corresponding workforce and capital programme implications.

The Council also carried out a virtual programme of engagement through November and early December across each locality with community representatives. Feedback from these sessions was then used to help to shape the transformation and renewal programme (discussed further on pages 18-19).

The main areas of feedback from the community engagement included:

- The benefits in a locality based approach to community hubs support and services;
- Need to address food insecurity for vulnerable families and citizens;
- The specific impact of the pandemic on children and young people;
- The importance of the outdoors and physical environment for health and wellbeing;
- Digital support and connectivity;
- Council staff, services and future ways of working; and
- Health and Social Care at home.

There was also participatory budget engagement through the Council's website using open source software.

2020/21 conclusion: The Council has set a balanced budget for 2021/22 and has a robust budget setting process in place, including consultation with elected members and communities.

The Council has recognised that there remains a risk to achieving short-term financial sustainability, particularly the impact that COVID-19 could have on 2021/22 and the risk that funding does not keep pace with demand for services. It is critical that the work on transformation and renewal, as discussed in more detail on pages 18-19, is progressed to reduce this risk.

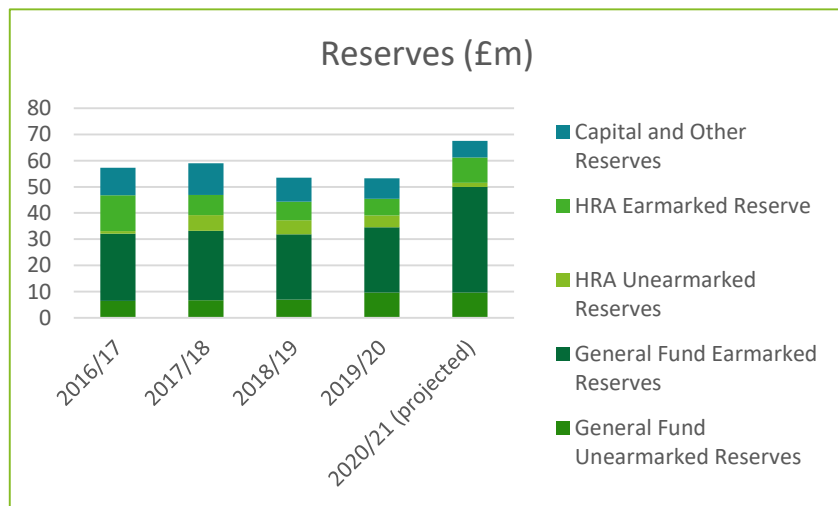
Financial sustainability (continued)

Reserves

2019/20 conclusion: The reserves held were at an acceptable level. The impact of the COVID-19 pandemic is having a significant impact on the Council. We noted that the Council was planning to re-assess the 2020/21 budget, and would expect the reserves balances to be considered as part of this review.

2020/21 update: At the time of approval of the 2021/22 budget and MTFP on 4 March 2021, the Council carried out its annual review of its Reserve and Fund Balances in line with good practice. This took into account known commitments, potential liabilities and the risk profile of the Council to provide flexibility to deal with unforeseen circumstances.

The projected reserves position at 31 March 2021 is illustrated below:



As noted on page 7, the Council is projecting an underspend in 2020/21 and therefore is not requiring to use reserves. The unearmarked general fund reserve is therefore projected to remain consistent with 2019/20 at £9.659m. This represents 2.7% of budget and is in line with the Strategy.

The Council has used reserves in setting its budget over the last few years. This has included a reduction in unearmarked reserves each year, the release of earmarked reserves no longer required, and the application of in-year underspends. Use of reserves provides a temporary solution but it is recognised that more sustainable approaches are required. As noted on page 12, as part of setting the 2021/22 budget, £0.862m of unearmarked general reserves have been released to support the budget.

The overall reserves position is projecting to increase, however, the majority of this is earmarked for specific purposes, in particular:

- **Project specific funds (£11.196m)** – these have been carried forward from 2020/21 to allow completion of specific projects
- **Prudential Investment Fund (£4.230m)** – these are resources to smooth the revenue implications of loan charges supporting the Capital Investment Programme
- **Change and Service Redesign Fund (£2.917m)** – this is to support delivery of transformation and renewal activity
- **Investment Fund (£9.950m)** - as noted in our 2019/20 annual audit report, the Council had previously set aside £8.8m as an Investment Fund to support Community Wealth Building activity, deliver sustainable investment in the environment and support the economy. As part of agreeing the 2021/22 budget, a further £1.4m has been approved for committing to the Investment Fund, targeted towards renewable energy developments and explore further Community Wealth Building opportunities across the Council's land and property assets.

2020/21 conclusion: The current reserves held are at an acceptable level, albeit towards the lower end of the Reserves Policy range, at 2.7%. While the reserves balance is projected to increase, the majority is earmarked for specific purposes. It is positive to note the increased commitment to the Investment Fund to support sustainable investment.

Financial sustainability (continued)

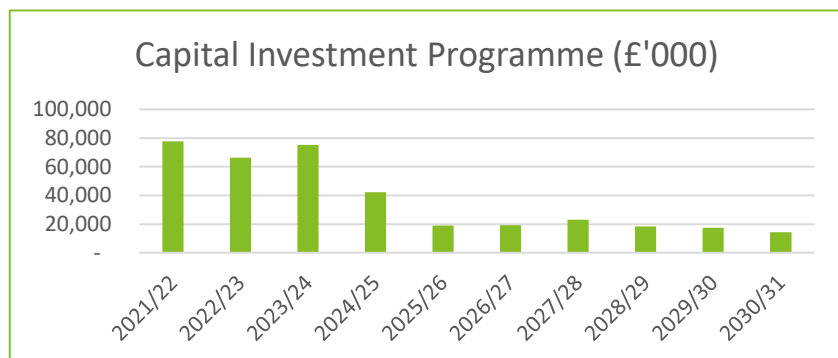
Capital planning and treasury management

2019/20 conclusion: The capital planning process clearly aligned investments with Council priorities and the Council has a history of managing its capital programme. Given the scale of the programme over the next 8 years, it is imperative that this continues. It is important that the impact of COVID-19 on future plans is also considered

2020/21 update: The Council updates its 10-year CIP on an annual basis as part of its budget setting process. The latest long-term capital programme covers the long-term period of 2021/22 to 2030/31. As part of setting the CIP, the Council has also updated the Capital Investment Strategy (CIS). The CIS provides the overarching framework of the Council's approach to the asset management principles. In 2020/21, the Council has expanded its programme to include the Ayrshire Growth Deal and Community Wealth Building principles.

As noted on page 8, the Council has demonstrated a history of managing its capital programme. However, during 2020/21, COVID-19 has had a significant impact on the capital programme.

The graph below illustrates the projected CIP over the next 10 years, which again shows that the Council continues to have an ambitious capital programme, particularly in the first 3 years of the programme which totals £219.5m. This includes re-phasing of the 2020/21 programme as a consequence of the COVID-19 pandemic restrictions, totalling £32.993m.



The HRA capital programme is also updated annually as part of the annual report of the HRA Business Plan. In December 2020, the Council approved £109.756m HRA capital expenditure for 2021/22 and a further £55.612m for future years. Similar to the CIP, the 2020/21 HRA capital programme has experienced delays due to the COVID-19 restrictions on the construction industry, resulting in a significant decrease in-house building, from a planned programme of 341 council homes to actual completion of only 16. The 2021/22 programme has been updated to reflect these delays.

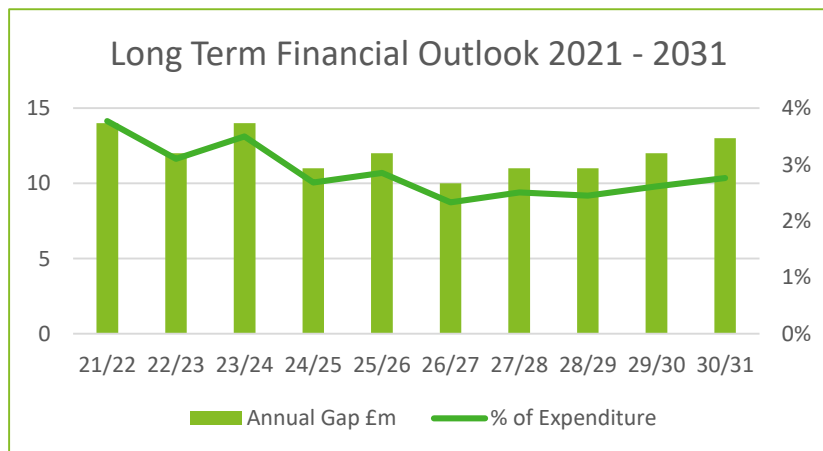
2020/21 conclusion: The capital planning process clearly aligns investments with Council priorities and the Council has a history of managing its capital programme. Given the scale of the programme over the next 10 years, it is imperative that the Council has strong project management and governance arrangements in place over the projects involved, particularly in light of the impact that COVID-19 is having on the construction industry.

Financial sustainability (continued)

Medium-to long-term financial planning

2019/20 conclusion: We concluded that it was positive to note that the Council continuously revisited the medium term position as part of its annual budget process and has a history of achieving in-year savings. In addition, as noted in the BVAR, the publication of a ten year outlook is also considered best practice. However, the Council is still faced with a significant shortfall in future years. The impact of COVID-19 is expected to have a significant impact over the medium to longer term, and therefore the estimated financial impact of these challenges is likely to change.

2020/21 update: The Council has updated its LTFO in December 2020, covering the period 2021/22 to 2030/31. This establishes a sound basis for the development of the Medium Term Financial Outlook and subsequent annual budgets. It has identified a funding shortfall of £120m over the next 10 years. This compares favourably to the shortfall identified in the previous LTFO published in 2017, where a gap of £156m over a 10 year period was identified, but still remains a significant challenge.



The £120m funding gap is based on the following key assumptions:

- Workforce costs, which includes future pay settlements estimated to increase by 3.0% each year.
- Increases to Non-Pay as a result of inflation and contractual commitments.
- Significant socio-economic and demographic pressures as a result of an ageing population, increased demand for adult services, and increased demand for vulnerable children and young people.
- Scottish Government core grant funding annual decrease of 1%, based on a trend based on the past 3 years.
- Annual increase to Council Tax of 3.0%.

Sensitivity analysis has also been considered in the LTFO, by flexing several of the above assumptions by +/-1% including Council Tax, Scottish Government funding and the workforce assumption. The LTFO makes a general assumption that any incremental financial impacts of COVID-19 will continue to be fully funded by the Scottish Government.

The Medium Term Financial Outlook (“MTFO”) for the period 2021/22 to 2023/24 draws on the same data and projections as the LTFO and has identified a number of specific financial challenges in relation to the availability of Scottish Government funding, the impact of demographic changes and other demand and cost pressures and the strategies available to address the resultant funding gap. This has identified a gap of £40m over the next three years, which must be addressed as part of the MTFP.

In setting its 2021/22 budget in March 2021, proposals were included for future years in relation to the MTFP, resulting in a balanced budget being set for 2021/22 and a remaining gap of £4.424m and £8.440m for 2022/23 and 2023/24 respectively. No specific plans have been defined yet to bridge the funding gaps for 2022/23 and 2023/24.

Financial sustainability (continued)

Medium-to long-term financial planning (continued)

We have considered the updated assumptions used, which have resulted in the reduced gap for 2021/22 to 2023/24 and concluded they are reasonable and based on available data, including:

- 0% increase in Council Tax in 2021/22 and 3.00% increase in 2022/23 and 2023/24;
- Scottish Government core grant funding movements – 0.84% increase for 2021/22 and 1% decrease for 2022/23 and 2023/24.
- Previously approved savings totalling £2.747m for the next three years.
- Additional expenditure requirements totalling £23.031m for the next three years.

Whilst the impact of EU withdrawal has not been considered in setting the MTFS, it is reflected as a risk in the Council's Strategic Risk Register and acknowledged as a factor that will hamper the Council's economic recovery and is referred to throughout the LTFO. As discussed on page 13, the Council has an EU Exit Preparedness Group to consider and provide regular updates to Cabinet on the potential impacts of Brexit.

In response to the impact of COVID-19, the Cabinet approved a Financial Recovery Plan in September 2020, which specifically considered the recovery options for returning financial balance for 2020/21. As part of this, the Council approved to provide additional cash flows totalling £2.743m to North Ayrshire Leisure Ltd to ensure they continue as operate as a going concern. The impact of COVID-19 has also been incorporated into the 2021/22 budget and the MTFP. Most of the consideration is in relation to 2021/22 in terms of the financial flexibilities and additional non-recurring funding that the Council are anticipating to receive.

2020/21 conclusion: It is positive to note that the Council has res-assessed the LTFO, MTFO, annual budget and MTFP to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. It is also positive to note that the 10 year funding gap has reduced slightly from that previously estimated in 2017. However, the cumulative funding gap of £120m over the next 10 years, with £40m over the next three years, remains a significant risk. It is also recognised that the long-term impact of COVID-19 is not yet known. Details plans need to be developed to identify how the Council plan to bridge this gap. As discussed further on page 19, we are pleased to note that work is progressing with the transformation and recovery and renewal programmes.

Financial sustainability (continued)

Transformation strategy

The Transformation Plan (“T3”) was aligned with the Council Plan 2019-24, so that reporting on the Council Plan also reports on progress against the Transformation Plan. T3 was built around 5 strategic themes:

1. Digital Services
2. Caring for People
3. Children and Young People
4. Travel and Transport; and
5. Land & Property.

These all link back to the Council Plan’s strategic priorities: Aspiring Communities, Inspiring Place, and A Council for the Future. In turn, the LTFO and MTFS both link back to the Council Plan.

As part of the Recovery and Renewal Strategy, which was approved by Cabinet in September 2020, the Council has re-evaluated the transformation activities within T3 to create a new **Renewal Programme**. The Recovery and Renewal Strategy identified the following additional opportunities in response to COVID-19, which have been considered when updating the Renewal Programme:

- Working at home/remotely;
- Remote and hybrid meetings;
- Accelerate capital spend through a Community Wealth Building approach;
- Ayrshire Growth Deal; and
- New paths/cycle paths/pedestrianised areas due to an increase in walking and cycling.

The Recovery and Renewal Strategy also acknowledges the interdependencies between the Council Plan and the LOIP. This recognises that:

“the rapid response to the crisis, to protect those most in need, wouldn’t have been possible without partnership working between internal services and external partners. This includes, but is not limited to, the National Health Service (NHS) Scotland, Police Scotland, Caledonian MacBrayne, Third Sector Organisations, community groups, volunteers and private sector businesses.”

Within the Renewal Programme there are specific projects within each strategic theme with owners and clear timescales. A comprehensive “one page” schedule has been developed for each project, the contents of which are summarised below. By including this level of detail, there is a clear link to the budget and MTFS, and allows the Council to measure how transformation is translating into savings and efficiencies which are reported through the quarterly financial monitoring reports.

Contents of Transformation “one-page” schedule:

- Overall status of project – Green/ Amber/ Red
- Key dates
- Project update
- Risk management considerations
- Project funding information, including budgets and actions
- Forthcoming milestones

In recognition of the significant work required in the recovery and renewal stage of the COVID-19 pandemic, the Council appointed a Head of Services (Recovery and Renewal) in May 2020 for a period of 18 months to drive forward the transformation work.

Financial sustainability (continued)

Transformation strategy (continued)

In response to the recommendation made as part of the BVAR report in 2020, the Council has developed a comprehensive Transformation Benefits Realisation Monitoring Framework to capture at a Corporate level the entire programme covering Transformation Projects, Renewal Projects, Business Improvements, Disinvestments, Alternative Funding/Revenue Generation and Digital Programmes. The framework is expected to enable and facilitate the monitoring and management of the following key transformation project information. The aim is to set up this framework using Power BI to facilitate automation of the reporting process.

Benefit realisation tracker

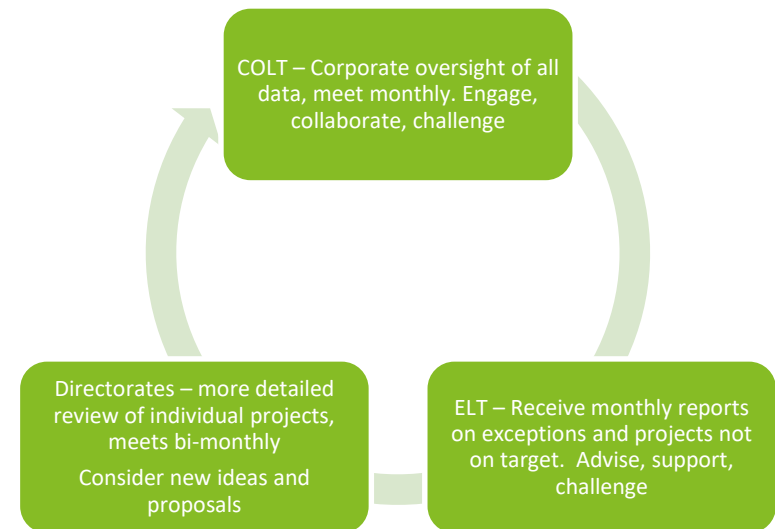
- project status
- benefits (financial and non-financial)
- financial savings
- environmental impact
- impact assessments
- additional resources required to support the project
- links to Strategic Transformation themes and Renewal Principles
- medium-long term financial forecast savings (up to 10 year ahead) and
- the impact on workforce planning

A revised set of governance arrangements has also been agreed around not only the Benefits Realisation Monitoring Framework but Transformation in general, as summarised opposite incorporating the Chief Officers Leadership Team (COLT), the Executive Leadership Team (ELT) and Directorates.

In addition to the Recovery and Renewal Strategy, the Cabinet has also approved an approach economic recovery and renewal. This sets out the Council's approach to working with partners, including their local businesses and communities, to build back their economy better, fairer and greener. This approach focuses on the Council's priorities of Community Wealth Building and climate change, and within these the need to create an inclusive local and regional economy. Central to the achievement of economic recovery is the earmarked Investment Fund as discussed on page 14.

The Community Wealth Building (CWB) Strategy was approved in May 2020 and is embedded into the Recovery and Renewal Strategy. In finalising the CWB Strategy, a number of other anchoring institutions have signed on including South Ayrshire Council, East Ayrshire Council, NHS Ayrshire and Arran, Police Scotland, Scottish Fire and Rescue Service, Ayrshire College, Scottish Enterprise, and The Ayrshire Community Trust.

2020/21 Conclusion: The Council has continued to make good progress during 2020/21 with transformation, in particular the development of the Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic. We are also pleased to note that a comprehensive Transformation Benefits Realisation Monitoring Framework has been developed, as recommended in the BVAR audit report, and a clear set of governance arrangements are in place. It is important that this is fully embedded and actively used as the Renewal Programme is implemented. It is also critical that the projects within the Renewal Programme are progressed at pace given the financial challenges faced over the medium and longer term.



Financial sustainability (continued)

Workforce planning

2019/20 conclusion: Not specifically reported on within our 2019/20 report.

2020/21 update: There is currently a “Future Working Environment” project underway as part of the Council’s Recovery and Renewal activity. This transformation project is focussing on the impact the pandemic has had on ways of working across the organisation and how this impacts on the future working environment model. Workforce planning and succession planning will continue to link to this and Services are focussed on harnessing the benefits that have been identified as well as employee wellbeing.

The work on “Future Working Environment” has been supported by some initial discussions with the workforce, including surveys. Some key highlights from the surveys were:

- Response rate was very high at 95.5% (out of approximately 1,100 staff surveyed);
- 82% like working from home;
- 86% want to continue with remote meetings;
- Less than 5% want to go back to how it was before – 5 days per week in the office.

Other findings from the survey include:

- 79% identified that reducing the carbon footprint was a benefit;
- 82% saved time and money on travel;
- 73% highlighted they had more time to concentrate on tasks; and
- 67% had a better work life balance.

Further to the staff survey, all Heads of Service were asked to provide their thoughts on how this new way of working could be delivered in a post COVID-19 world. This has indicated a strong view towards a blended approach to service delivery in terms of the time staff spend between working in the office and working remotely.

In response to the BVAR recommendation where it was recommended that the Council must evolve workforce planning across all services, and clearly align service workforce plans to the transformation projects, a Project Board and Project Team is now in place to take this initiative forward.

The Project Team has representatives from all Council services (HR, Finance, Sustainability, Transformation, Economic Development, Health & Safety, Health & Social Care Partnership, Communities, and Property Management & Investment) to ensure there is a collaborative approach. The Project Board is also cross service and includes two Trade Union representatives to ensure there is a joined up approach and to improve communication between all parties.

	2019/20	2020/21	Change (%)
Sickness absence - YTD FTE	8.26	5.62	-32%
Sickness absence - cost (£000)	806	486	-40%

The above table shows that staff sickness has decreased in 2020/21 despite the challenges of COVID-19. The most common reason for absences was mental health.

Throughout the past year, regular communications have been issued to staff on the support available for their health and wellbeing, for example communications on Occupational Health, Wellbeing Warriors. This will continue to be communicated on a regular basis.

2020/21 Conclusion: It is positive that the Council has started to consider the impact COVID-19 has had on the workforce via the Future Working Environment project and is actively engaging with staff as part of this. We are also pleased to note that work is progressing in response to the recommendation made in the BVAR audit to align service workforce plans to the transformation projects.

Financial sustainability (continued)

Deloitte view – Financial sustainability

As discussed on page 7, the Council is projecting to achieve a small underspend in 2020/21 and has set a balanced budget for 2021/22. The current reserves held are at an acceptable level, albeit towards the lower end of the Reserves Policy range. While the reserves balance is projected to increase, the majority is earmarked for specific purposes. It is positive to note the increased commitment to the Investment Fund to support sustainable investment. We are therefore satisfied that the Council is financially sustainable in the short-term.

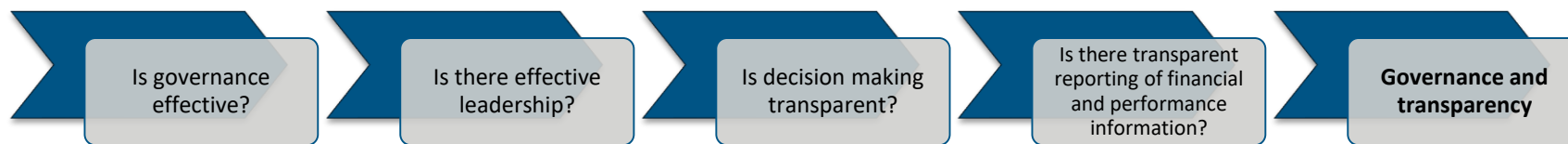
It is positive to note that the Council has res-assessed its medium and long term financial planning to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. It is also positive to note that the 10 year funding gap has reduced slightly from that previously estimated in 2017. However, the cumulative funding gap of £120m over the next 10 years, with £40m over the next three years, remains a significant risk. It is also recognised that the long-term impact of COVID-19 is not yet known. Details plans need to be developed to identify how the Council plan to bridge this gap.

The Council has continued to make good progress during 2020/21 with transformation, in particular the development of the Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic. We are also pleased to note that a comprehensive Transformation Benefits Realisation Monitoring Framework has been developed, as recommended in the BVAR audit report, and a clear set of governance arrangements are in place. It is important that this is fully embedded and actively used as the Renewal Programme is implemented. It is also critical that the projects within the Renewal Programme are progressed at pace given the financial challenges faced over the medium and longer term.

It is also positive that the Council has started to consider the impact COVID-19 has had on the workforce via the Future Working Environment project and is actively engaging with staff as part of this. We are also pleased to note that work is progressing in response to the recommendation made in the BVAR audit to align service workforce plans to the transformation projects.

Governance and transparency

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

Our approach to the audit dimensions is risk focused. Within our audit plan we identified there is a risk that the revised governance arrangements put in place in response to the pandemic were not appropriate or operating effectively.

In relation to the IJB there continues to be an ongoing risk that the IJB does not achieve the full benefits of integration along with a balanced budget position. We also highlighted the former Director of the HSCP and Chief Officer left his post during the year, therefore as part of our audit work, we noted we would review the decision making process for his departure.

We also identified that while there are risk management processes in place, that there is a risk that officers and Committee members have not considered how sustainable any changes to the risk appetite will be in the longer term.

Leadership

2019/20 conclusion: The Council continues to have strong leadership in place.

2020/21 update: The Executive Leadership Team has remained largely consistent with previous years. As noted on page 18, a new Head of Service (Recovery and Renewal) was appointed during the year. In addition, the post holders for the Executive Director (Communities and Education) and the Head of Service (Commercial) were made permanent following an external recruitment process.

The Director of the HSCP left his post in September 2020. An interim Chief Officer of the IJB was subsequently appointed in October through an internal recruitment exercise pending a full external recruitment process for the Director vacancy. A new Director was appointed in December 2020 who was previously the S95 officer of the IJB.

These transitions have been smooth and have not caused any loss of knowledge or experience. We have reviewed the decision making process for the departure of the former Chief Officer of the IJB and satisfied that this was robust.

There is a collaborative culture in North Ayrshire with close working relations between the Council, Health Board, IJB, and other stakeholder groups. This was evident throughout the pandemic and the Council has acknowledged that the quick response would not have been possible without the help of the third sector organisations, community groups, volunteers and private sector businesses.

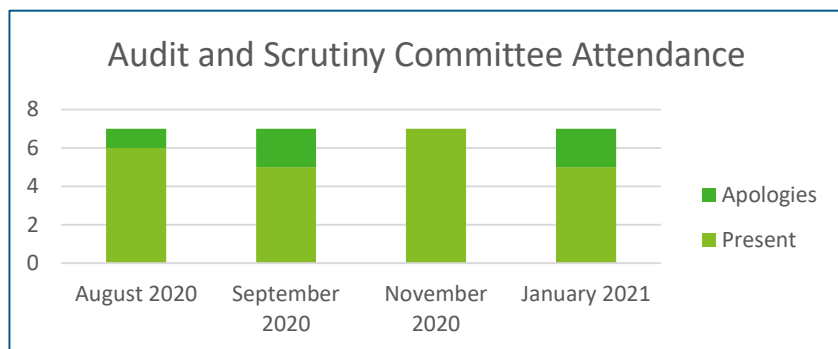
2020/21 conclusion: The Council continues to have strong leadership and the transition of the posts during the year went smoothly. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners, including the Council, Health Board, third sector, volunteers and private providers.

Governance and transparency (continued)

Governance and scrutiny arrangements

2019/20 conclusion: The Council continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the COVID-19 pandemic.

2020/21 update: We have reviewed meetings attendance from the past year and confirm that there has been adequate attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.



The Council's Committee structures were temporarily suspended during the COVID-19 outbreak with all meetings suspended for a few months, promptly resuming from the end of June 2020 (Cabinet), August 2020 (Audit and Scrutiny Committee), and September 2020 (Council) via video conferencing.

During the brief pause, the Council's Scheme of Delegation to Officers already allowed the Chief Executive to consider and deal with any urgent issues, subject to reporting back to the Cabinet for information at the first available opportunity. This power was exercised in consultation with the relevant Chief Officer and the relevant portfolio holder. In the interest of transparency, decision notices in respect of matters determined under the emergency governance arrangements were published on the Council's website on a fortnightly basis, together with the relevant officers' report. Cabinet roles were also revised to take into consideration the impact of COVID-19, the newly approved CWB Strategy, and to address climate change.

The Council and Audit and Scrutiny Committee have responded well to COVID-19 risks throughout the pandemic, which has included putting emergency powers in place for the first few months of the pandemic to allow the Chief Executive and Chief Officers to focus on responding to the immediate service needs of the pandemic. This allowed for more devolved decision making and swift action to be taken through working with local partners within the communities.

In response to the pandemic, an update of the Strategic Risk Register was presented to Cabinet on 23 February 2021 which included consideration of the impact of COVID-19. This ranks the impact of COVID-19 as a very high risk, with appropriate mitigations put in place such as the formation of strategic, tactical and operational response groups, an internal and external digital communication strategy, and The 'North Ayrshire Food System' to ensure enhanced resilience during the pandemic.

2020/21 conclusion: The Council continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned through videoconferencing. The Council's strategic risk register has been updated to reflect the very high risk posed by the impact of COVID-19.

Openness and transparency

2019/20 conclusion: In line with our previous year's conclusions and that of the BVAR, the Council continues to be open and transparent.

2020/21 update: The Council continues to stream full Council and Cabinet meetings, and publishes all meeting agendas and minutes on the Council website, thereby continues to demonstrate openness and transparency. There was also regular communication with elected members, during the few months when there were revised governance arrangements.

Governance and transparency (continued)

Openness and transparency (continued)

The Council has continued to engage with the public on decisions taken and the creation of key strategy documents that are consulted on before drafting and finalising. For example, as part of gathering the public's thoughts on the 2021/22 budget and Recovery and Renewal Strategy, the Council held virtual budget engagement events, locality zoom sessions with different stakeholder groups, a facebook live Q&A session, and has consulted on the design of grounds maintenance services as part of participatory budgeting measures.

2020/21 conclusion: The Council continues to be open and transparent with meetings open to the public via live webcasting and recordings made available through the Council's website.

Health and social care partnership

2019/20 conclusion: The IJB made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging.

2020/21 update: The Council continues to exercise oversight and scrutiny of the HSCP's operations through receiving regular reports to the Cabinet as part of financial performance reporting. The Audit and Scrutiny Committee also exercises oversight through the Council's internal audit which performs procedures on the HSCP's control environment.

The IJB is projecting an underspend of £3.497m for 2020/21. As a result of the close monitoring of the budget position, including the impact of COVID-19, the IJB is on track to be able to make the planned debt repayment of £1.5m to the Council, and a further £1.5m payment planned as part of setting of the 2021/22 budget.

The IJB's 2021/22 budget includes an initial budget gap of £3.906m, which is to be met by a savings plan totalling £2.528m and general reserves of £1.116m. Whilst there are risks with the 2021/22 budget, including the continued impact of COVID-19 and re-mobilisation of services, this is supported by clear and reasonable savings plans. In addition, the HSCP continues to build on previous transformation activities, adjusted for the impact of COVID-19 to try to make the services more financially sustainable in the medium to longer term.

The IJB has not yet developed any medium term planning due to a number of areas uncertainty. A one-year Bridging Strategic Commissioning Plan for 2021-22 provides a starting point for developing a longer term plan. Following engagement with elected members, locality sessions and public engagement between November 2020 and February 2021, the plan was approved by the IJB in March 2021. An 18-month consultation and engagement process is now underway to gather feedback from the public on the future direction of the HSCP, including lessons learned from the pandemic.

The IJB is progressing with its transformation programme and taking an innovative approach to determine future service delivery. Significant work is still required to make the level of transformational change needed, particularly in light of the challenges created by the COVID-19 restrictions, which have impacted on timelines.

The IJB has identified initial learning lessons from the past year, which has identified new ways of working that can be built into the redesign of future services. This includes building on the experiences from the past year in managing the pandemic, including the wealth of experience from the close working relationships with the third sector, independent sector, and community groups.

The IJB continues to have strong and effective leadership and the transition of the new Chief Officer and Head of Service for Health & Community Care during the year went smoothly. There is a continuing positive and collaborative culture. We have reviewed the decision making process for the departure of the former Chief Officer and satisfied that this was robust.

2020/21 conclusion: The Council has continued to exercise sufficient oversight and scrutiny of the HSCP's activities. The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing. It is therefore critical that the planned comprehensive review of the IJBs MTFP and strategic commissioning plan during 2021 and 2022 is progressed.

Governance and transparency (continued)

The Islands (Scotland) Act

In relation to the new requirements in relation to the Islands (Scotland) Act, the Council has added island assessment to its equalities and socio-economic assessment templates. As a result, every policy and strategy is now automatically subject to island assessment via Equality Impact Assessments.

We have reviewed several key strategy documents as part of our audit, and concluded that the Council has incorporated consideration of the impact on island communities. For example the updated Renewal and Recovery Strategy includes, under the strategic themes, an action *“to support mainland and island resilience groups and ensure there is regular communication with them.”*

In addition, in setting the 2021/22 budget the Council has considered *“the equality and children’s rights and islands impact of any proposed service changes”*.

We are therefore satisfied that there are adequate arrangements in place to ensure the Council’s key policies and strategies are subject to island assessment as part of Equality Impact Assessments. This should ensure that decisions taken by the Council do not have a significantly different impact on island communities relative to mainland communities.

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.

Within the Internal Audit plan there is specific time set aside to review “Following the public pound” during the year as part of the work performed. This includes an annual audit of Community Councils accounts' to ensure Council funding is used in accordance with the Council's Scheme of Administration and an annual audit of the accounts of various Tenants and Residents Associations. Additionally, the Council supports KA Leisure and the Community Investment Fund, where collaborative projects are developed, supported and monitored by the Council within the locality planning framework. We are therefore satisfied that the Council complies with the Following the Public Pound Code.

Deloitte view – Governance and transparency

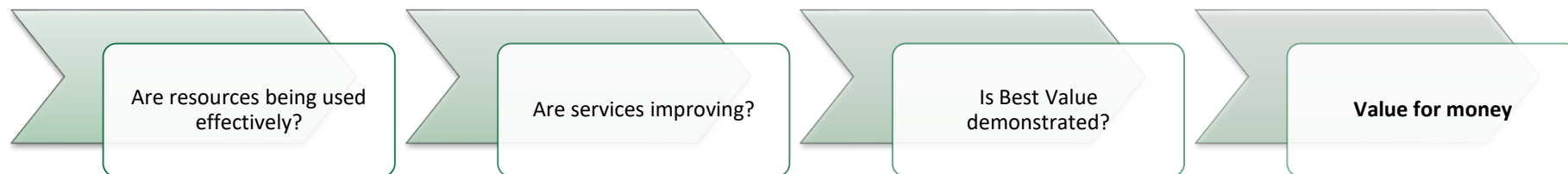
The Council continues to have strong leadership and the transition of the posts during the year went smoothly. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners, including the Council, Health Board, third sector, volunteers and private providers.

The Council continues to be open and transparent with meetings open to the public via live webcasting and recordings made available through the Council’s website.

The Council has continued to exercise sufficient oversight and scrutiny of the HSCP’s activities. The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing. It is therefore critical that the planned comprehensive review of the IJBs MTFP and strategic commissioning plan during 2021 and 2022 is progressed.

Value for money

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



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that the pandemic is expected to have had a substantial impact on performance measures during the year, and therefore that *“there is a risk that performance reporting has not been timely, reliable, balanced, transparent and appropriate to users’ needs.”*

Performance management framework

2019/20 conclusion: The Council continues to have a clear and robust performance management framework in place.

2020/21 update: The Council’s approach to performance management has remained consistent during 2020/21. The Local Outcomes Improvement Plan 2017-2022 (“LOIP”) underpins the priorities in the Council Plan 2019-24. It provides the performance management framework against which the Council and its partners demonstrate progress and achievement towards improving outcomes for local people and communities. The local outcomes and performance measures identified in the LOIP are linked to the National Performance Framework, where and when appropriate, in line with best practice.

Performance is reported annually to the Audit and Scrutiny Committee. The LOIP Improvement Agenda supports the Council’s work to improve performance going forward. Performance indicators are available for 2019/20 and were presented to the Audit and Scrutiny Committee in January 2021. This annual reporting was delayed due to officers prioritising the management of the COVID-19 pandemic. Mid-year reporting of the 2020/21 performance indicators were presented to Cabinet on 26 January 2021.

There were no changes to the performance reporting arrangements during the year, despite the slight pause in meetings resulting from the temporary governance arrangements put in place as noted on page 23.

The Council have established a Performance Management Strategy covering 2021 – 2024, which considers the impact of the COVID-19 pandemic on certain elements of performance management such as the impact on resourcing. This report is available to the public and can be accessed through the Council’s website. The Council has also tailored its service plans, for example the Children Services Plan 2020-23 to take account of the changing environment due to COVID-19 and to continue to tackle child poverty in North Ayrshire.

2020/21 conclusion: The Council continues to have a clear and robust performance management framework in place through the LOIP. In line with best practice, its performance measures align to the National Performance Framework.

Statutory performance indicators

2019/20 conclusion: The Council has robust and long-standing arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

2020/21 update: The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission’s Best Value (BV) audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission Statutory Performance Information Direction requires a council to report a range of information in the areas listed on the following page.

Value for money (continued)

Statutory performance indicators (continued)

SPI 1: Improving local services and outcomes

- Performance in improving local public services provided by (1) the Council itself and (2) by the council in conjunction with its partners and communities; and
- Progress against desired outcomes.

SPI 2: Demonstrating Best Value (BV)

- The Council's assessment of how it is performing against its duty of BV, and how it plans to improve against this assessment;
- Audit assessments of how its performance against its Best Value duty, and how it has responded to these assessments; and
- In particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

We have evaluated the effectiveness and appropriateness of the arrangements that the Council has in place.

In view of the approach embedded within the Council for a number of years, with performance monitored through the Community Planning Partnership and LOIP, the requirement to report on performance for both the Council and with its partner communities was already embedded practice.

In addition, as concluded in the BVAR Report in 2020, the Council practices self-assessment and improvement activities at strategic, service and partnership levels. It also uses the "How Good is our..." self-evaluation framework which assesses the performance of specific services such as school and libraries. This provides assurance on both systems and approaches, and the quality of services delivered. This has helped the Council to identify and address areas for improvement over a number of years. The Council uses the results of external scrutiny to target improvements. It looks beyond its own boundaries to identify learning and innovative practice.

2019/20 Conclusion: The Council has robust and long-standing arrangements in place to comply with the SPI Direction including its public performance reporting requirements.

Performance data

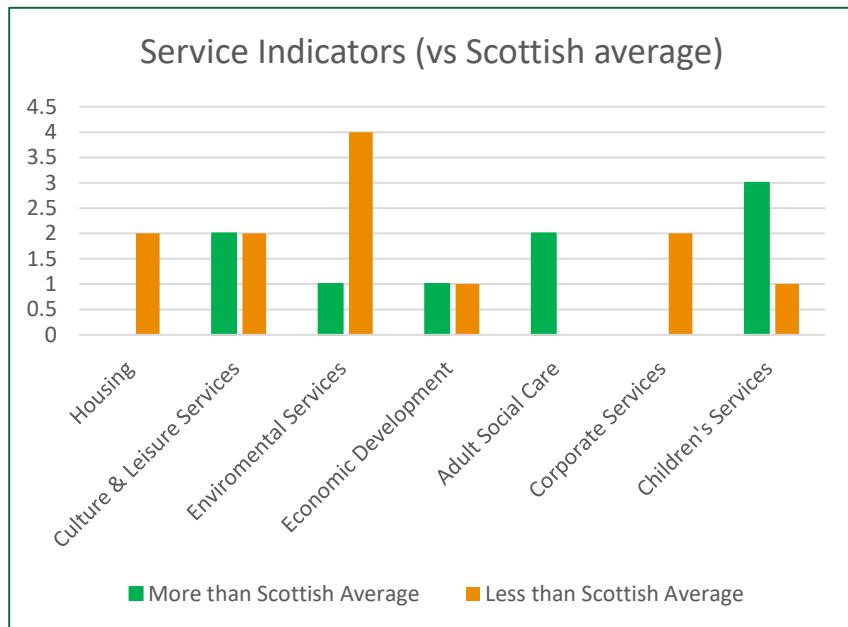
2019/20 conclusion: The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

2020/21 update: The Council has continued to report performance measures under the Local Government Benchmarking Framework ("LGBF") during the year, which is incorporated into the Council's suite of performance measures. COVID-19 has presented challenges in collecting data for the performance measures; it has also resulted in different methods of communication, for example through social media channels and videos.

We have drawn on the LGBF to make a high level assessment of the Council's performance, relative to all Scottish councils, in 2019/20 (the latest data available). Due to the impact of COVID-19, a number of the LGBF indicators, particularly in Children's Services, have not been published by the Improvement Service. The LGBF includes a number of indicators organised under common service areas. The Council has considered these indicators as part of its wider performance monitoring.

Value for money (continued)

Performance data (continued)



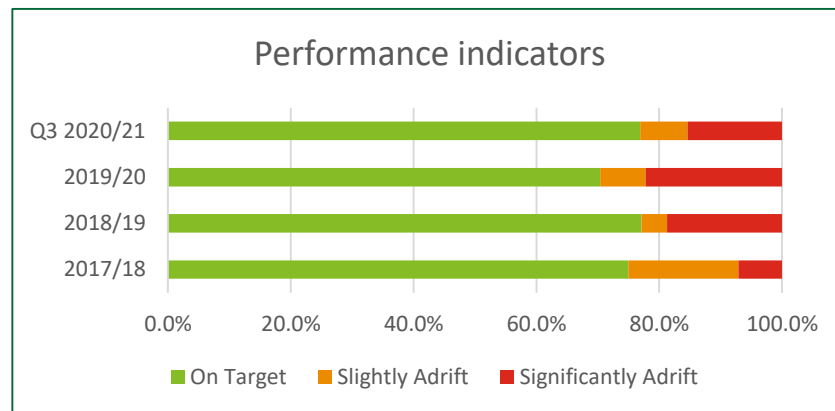
As shown in the chart above, 9 of the 21 (43%) available service indicators in 2019/20 (2018/19, 64%, 2017/18: 62%, 2016/17: 57%) were performing above the Scottish average. Whilst this is a slight decrease compared to 2018/19, 57% of these indicators showed improvements compared to 2018/19, demonstrating that despite the challenges of managing performance during COVID-19 that the Council has still managed to improve performance.

The latest Council Plan Progress Update for quarter 2, which was presented to the Cabinet on 26 January 2021, has tailored the normal in-year performance reporting to also provide an update on how the Council is progressing with managing the COVID-19 pandemic. Some highlights of the Council's response to the pandemic included:

- Implementing community hubs, childcare hubs and food hubs with over 5,700 shielding residents and 690 key worker families supported;

- Providing 1.26 million meals and nearly 1.5 million items of personal protection equipment;
- Delivering 12,407 prescriptions and 66,753 food parcels; and
- Moving a significant numbers of services online.

We have highlighted in the chart below the proportion of indicators by how they are trending against targets during the year, with the latest performance reported for the mid-point of 2020/21. This shows that performance is roughly in line with 2019/20 with 76.9% of indicators on target (2019/20: 70.4%), slightly adrift of target 7.7% (2019/20: 7.4%) and those significantly adrift are 15.4% (2019/20: 22.2%). It is positive that the Council has been able to maintain performance even throughout the pandemic.



2020/21 conclusion: We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. Whilst performance has kept level with the 2019/20 performance, it is important to view this in light of the challenges faced by the Council as a result of the COVID-19 pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Value for money (continued)

Equalities

2019/20 conclusion: The Council continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

2020/21 update: The Council Plan 2019-24 states that it believes in fairness, tackle inequality and bases its decisions on these values. The Council Plan intends to tackle poverty and inequality throughout its society. The Equality Outcomes Plan strategizes how to tackle inequality by establishing 'Equality Outcomes' as well as an 'Action Plan'.

Within the 'Action Plan', actions are complemented with outcomes and have been allocated a timescale as well as a responsible/accountable officer. Examples of how the Council aims to tackle inequalities include:

- Raise staff awareness to better identify hate crime;
- Work with Partners to raise awareness of hate crime;
- Share Child Protection information within 1 day of reporting to ensure each Young Person is safe; and
- Provide physical activity and other services to ameliorate social isolation and promote wellbeing.

A consultation process took place between October and November 2020 to gather views on the 'Equality Outcomes' for 2021-25. This included collecting the public's views on the four previous equality outcomes. Feedback was provided by 128 from across Ayrshire with generally positive feedback, with 87% agreeing that the existing outcomes remain appropriate for carrying forward into the next version of the Equality Outcome's plan. There is, however, always scope for improving equality as evident from some of the responses.

We have also reviewed the LGBF performance indicators, some of which factor in inequalities. We highlight the following performance against the Scottish average in the table to the right.

Whilst there is evidence, particularly from this past year under the pandemic, of the Council working closely together with its partners, there is currently no evidence to demonstrate how the partnership working is translating to reducing inequalities.

LGBF measure	NAC	Scottish Average	Year
How many unemployed people have been assisted into work by my council?	20.1%	12.7%	2018/19
What percentage of care services funded by my council are rated good or better?	87.0%	82.0%	2019/20
How much does my council spend on providing fostering/family placements for 'looked after children' (£ per child per week)?	£324.00	£357.00	2018/19

2020/21 conclusion: The Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes plan for 2021-25 and equalities built into the Council Plan and performance measures. Through the Equality Action Plan, it aims to address issues of inequalities in North Ayrshire.

Value for money (continued)

Deloitte view – Value for money

The Council continues to have a clear and robust performance management framework in place through the LOIP. In line with best practice, its performance measures align to the National Performance Framework.

The Council continues to have robust arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. Whilst performance has kept level with the 2019/20 performance, it is important to view this in light of the challenges faced by the Council as a result of the COVID-19 pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

The Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes plan for 2021-25 and equalities built into the Council Plan and performance measures.

Best Value

It is the duty of the Council to secure **Best Value** as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the Council have made proper arrangements for securing BV.

Duty to secure Best Value

1. It is the duty of the Council to make arrangements which secure Best Value
2. Best Value is continuous improvement in the performance of the Council's functions
3. In securing Best Value, the Council shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions
 - b) The cost to the Council of that performance
 - c) The cost to persons of any service provided by the Council for them on a wholly or partly rechargeable basis
4. In maintaining that balance, the Council shall have regard to:
 - a) Efficiency
 - b) Effectiveness
 - c) Economy
 - d) The need to make the equal opportunity requirements
5. The Council shall discharge its duties in a way that contributes to the achievement of sustainable development.
6. In measuring the improvement of the performance of a Council's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

BV arrangements

2020/21 is year five of the extended six-year approach to auditing BV in councils. BV audit work is integrated with the annual audit and have worked closely with Audit Scotland's Performance Audit and Best Value ('PABV') team to plan, perform and report on the BV audit work.

A key feature of the approach to auditing BV is the Controller of Audit providing a Best Value Assurance Report ('BVAR') to the Accounts Commission for each Council once over the audit appointment. The BVAR for North Ayrshire Council was published in June 2020. This concluded that the Council has a number of arrangements in place to secure best value. We have followed up on the progress with the recommendations as part of the annual audit work, considering the pace and depth of continuous improvement. A summary of the progress against each recommendation is reported on page 32.

Our BV audit work is integrated into our audit approach, including our work on the audit dimensions discussed on pages 6 to 30. Through our annual audit work, discussed further within this report, the Council continues to have a number of arrangements in place to secure best value, including an established governance framework, strong leadership, and is making good progress with its Transformation Plan.

The Council recognises that it must deliver services within the financial resources available and, as noted elsewhere in this report, and in common with other councils, continued work will be required to deliver long term financial sustainability. It is positive to note that the development of the Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic.

Deloitte view – Best Value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development.

Best Value (continued)

Best Value Assurance Report

We have assessed the Council's progress against each of the recommendations made, as summarised in the table below.

Recommendation	2020/21
<p>The Council should fully develop and deliver detailed transformation plans to meet the current estimated funding shortfall. To achieve this, it should ensure sufficient arrangements are in place to support, monitor and deliver the expected outcomes. This includes:</p> <ul style="list-style-type: none"> developing the transformation themes into projects and further developing the governance arrangements to ensure the council has the skills needed to implement the next stage of transformation developing a robust benefits realisation tracker to assess whether the council has achieved its aims. 	<p>Implemented – The Transformation and Renewal Programme continues to be progressed. The broad outline of the programme was included in the Budget report to Council on 4 March 2021. The Governance structure which supports the programme is in place and this is through a corporate Transformation Board and through the Executive Leadership Team ("ELT"). All the individual projects / activities have been assigned to individual owners. The monitoring framework to track progress has been developed and is scheduled for launch at the ELT on 26 May 2021. This provides a medium to long term (10 years) framework which is split across agreed Budget Programme activity (approved on Budget day 4 March 2021) and Budget pipeline activity i.e. projects / activities which continue to be progressed and developed. The impact on how this activity addresses the anticipated Budget gap is also reflected in the framework. Importantly, the framework also captures any workforce implications for delivery and also the FTE impact of any anticipated savings as well as capturing the anticipated key outcomes.</p>
<p>The Council must evolve workforce planning across all services, and clearly align service workforce plans to the transformation projects, in order to:</p> <ul style="list-style-type: none"> identify the numbers, cost and skills of the current and desired workforce effectively facilitate the transition from the current workforce composition to the desired workforce. 	<p>Partially implemented – During 2020, Workforce Planning discussions have been paused to allow a focus on the pandemic, these have now only just commenced in the new financial year 2021/22. All Heads of Service are meeting during May and June to bring their previous Workforce Plan up to date and ensure this aligns with challenges, service reviews/ transformation agenda. This workforce planning discussion also allows focus on span of control, career progression/development and succession planning. By the summer of 2021 all Workforce Plans will be up to date and will be reviewed on a 6-monthly basis. Work is ongoing to continue to support the Services delivery service reviews in line with the evolution of service delivery and transformation.</p>

Best Value (continued)

Best Value Assurance Report (continued)

We have assessed the Council's progress against each of the recommendations made, as summarised in the table below.

Recommendation	2020/21
<p>The Council should work with locality partnerships to make clear what the intended impacts are of locality plans and make them publicly available.</p>	<p>Implemented – The North Ayrshire Council BVAR report was presented to the September round of Locality Partnership meetings and the action was noted.</p> <p>Work commenced on a review of local priorities, which were set in 2016, in preparation for the refresh of locality action plans with links to the intended impacts. A public consultation was launched using the Consul engagement tool. Public engagement activities during the second wave of the COVID-19 pandemic were challenging and, as a result of low responses, a decision was taken to re-evaluate the engagement plan and extend the timescale. A new and more direct approach with stakeholders was developed and carried out, including work with schools.</p> <p>The results of the public consultation are scheduled to be considered by the Locality Partnerships in June 2021. Decisions on any new locality priorities will subsequently form the basis for revised locality plans and associated intended impacts. Impact Reports, a mix of outputs and outcomes, have been developed and will be further updated as the partnership activity matures. It is anticipated that the work on the current action plans and associated intended impacts will be completed by the end of 2021.</p>
<p>The Council should review its Public Reporting online portal, North Ayrshire Performs, to make it more user friendly and accessible.</p>	<p>Implemented – the North Ayrshire Performs portal has been updated with a new Performance Dashboard developed in-house using Power BI. The dashboard provides a much more user friendly and accessible way for residents to access performance data. The information available has been reviewed to ensure it is as concise and relevant as possible, that it contains a link to the LGBF Benchmarking Tool and the Council's contact details. It has been ensured that the layout is in line with the corporate and Annual Performance Reporting branding and that this can be updated with any changes. It was launched on 28 February 2021 and is available from the performance pages within the Council's website: www.north-ayrshire.gov.uk/performance.</p> <p>As it was developed in-house by the Corporate Policy, Performance and Elections team, the Council has full control of its evolution and will continue to make improvements as they receive feedback and develop the service.</p>

Emerging issues

Climate change

Background

As noted in our audit plan, climate change is likely to drive some of the most profound changes to businesses in our lifetime. The global response to the COVID-19 pandemic could inform the fight against climate change and advantages taken of the inevitable response, such as less unnecessary air travel for business meetings, more home working, supported by better videoconferencing facilities. In collaboration with the ICAEW, Deloitte have launched a site to www.deloitte.co.uk/climatechange

Council preparedness

As part of our audit work in 2020/21, we have followed up our previous high level assessment of the work that North Ayrshire Council has done in relation to preparing for the impact of Climate Change and concluded as follows:

Baseline expectations

Governance: Climate change is a strategic issue and should be on the Council agenda. Explain how you assess climate change risk as a strategic issue.

North Ayrshire Council position

Climate change is clearly on the Council's agenda, as evidenced from the following examples:

- As highlighted in the BVAR, the Council declared a climate emergency in 2019, and changed its aim to reduce carbon emissions by 40% by 2030 to the aim of becoming carbon neutral by 2030.
- The BVAR incorporated a case study highlighting that North Ayrshire Council has a proactive and ambitious approach to tackling climate change.
- It has engaged with communities on the latest update to its Environmental Sustainability and Climate Change Strategy, which was first published in 2014 and last updated in 2017. An update of the strategy for 2021-2023 was taken to the Cabinet in May 2021.
- Several transformation initiatives are linked to reducing carbon emissions. As part of the Council's Recovery and Renewal Strategy in response to COVID-19, one of the key principles to guide prioritisation is to "protect and prioritise North Ayrshire environment and reinforce our work to mitigate and adapt to climate change".
- The Council has approved a further £1.4m contribution to the investment fund for climate change, infrastructure and Community Wealth Building in its 2021/22 budget, bringing the total to £9.950m.
- Climate change has been built into the recently approved Community Wealth Building Strategy as a key area of focus.

Emerging issues (continued)

Climate change (continued)

Council preparedness (continued)	
Baseline expectations (continued)	
<p>Risks and Strategy: Articulate clearly whether climate change represents a principal or emerging risk and how it is being managed.</p>	<p>To reflect the recent declaration by the Council of a climate change emergency, the Strategic Risk Register was updated in March 2020 to include Climate Change as a “High Risk” to the Council. Climate Change continues to be a “High Risk” on the Strategic Risk Register.</p>
<p>Targets and metrics: If targets and metrics are disclosed, explain how those targets or metrics fit into strategic targets/ approach.</p>	<p>The Climate Change (Scotland) Act 2009 set a long-term target to reduce emissions of greenhouse gases by at least 80% in 2050. Over the past 10 years, the Council’s annual Climate Change Declaration has evidenced the Council’s progress towards achieving these targets. However, recent scientific evidence, presented to the Committee on Climate Change, has set out that a greater level of change is needed.</p> <p>The Scottish Government passed the Climate (Scotland) Act which received Royal Assent on 31 October 2019. This Act legislates new, more stringent, targets for Carbon reduction.</p> <p>An update was reported to Cabinet in January 2020 where it noted the successes and progress made in implementing the Environmental Sustainability and Climate Change Strategy 2017-2020 and agreed the proposed target year of 2030 to achieve net-zero carbon emissions across North Ayrshire.</p>
<p>Reporting/ Financial Statements: Transparency in the annual report</p>	<p>Narrative was included in the 2019/20 Annual Report and Accounts as part of “Our Challenges and Areas of Focus”, making specific reference to the Climate Change Strategy and the fact that the Council has declared a state of Climate Change Emergency with an ambition towards achieving a net zero carbon footprint.</p> <p>The Council may want to consider including more narrative within future Annual Reports to set out what work the Council is doing to address this Climate Change risk.</p>

Sector developments



Independent review of adult social care

Feeley report

Background and overview

On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The Review was chaired by Derek Feeley, a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland. Mr Feeley was supported by an Advisory Panel of Scottish and international experts.

The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The review took a human-rights based approach.

The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021.

Next steps

The review concluded that there are three things that must change in order to secure better outcomes – 1. Shift the paradigm, 2. strengthen the foundations and 3. redesign the system. A summary of the recommendations on the following pages. The full report is available at [Adult social care: independent review - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/publications/2021/02/210203-independent-review-of-adult-social-care-in-scotland/)



Independent review of adult social care (continued)

Feeley report (continued)

The recommendations within the report cover the following key themes



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

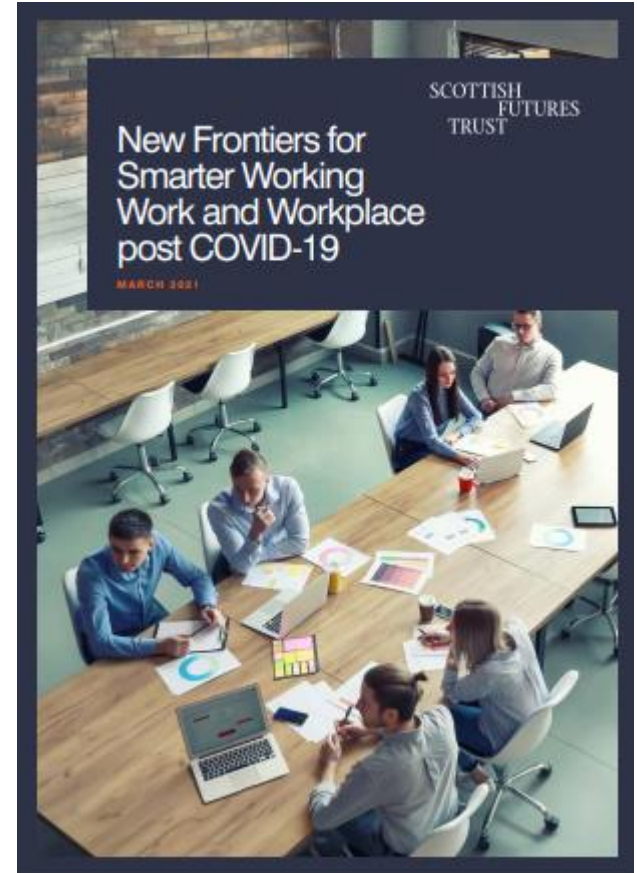
Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust (SFT) reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at

[Layout 1 \(scottishfuturestrust.org.uk\)](https://scottishfuturestrust.org.uk)

Appendices



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 & Scrutiny Committee and the Council discharge their governance duties. Our report includes our work on the following:

- Financial management;
- Financial sustainability;
- Governance and transparency;
- Value for money; and
- Best value.

The scope of our work

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the 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.


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 procedures performed in fulfilling our audit plan.

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



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 24 May 2021



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.