

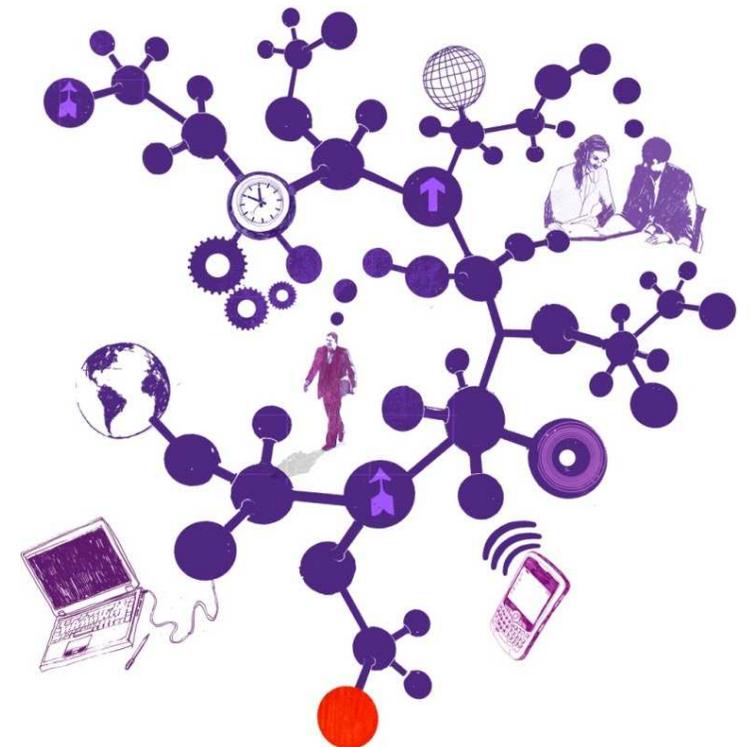


# Continuing to deliver value to South Derbyshire District Council

January 2015

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“

South Derbyshire District Council is a valued client of the firm and I hope we demonstrated this during the audit. We pride ourselves on delivering a high quality service and have set ourselves the goal of being second to none in our client care. To help us achieve this, we propose to carry out an independent client service review with you in the coming year. More informally, I would value any feedback from you or your team on areas where you believe we could improve our service to you.

I thought it would be useful to summarise the services we have provided during the year, and to demonstrate how we feel we have added value to you through the other work we do with you. We have made investment in our relationship with you this year, and have included some thoughts as to how we could build on this in the future.

We think our knowledge of the Council, coupled with our wider experience of the Local Government sector, puts us in a strong position to help you with the challenges you face.

We look forward to the opportunity to demonstrate our desire and enthusiasm to work with you in these challenging times.

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**Kyla Bellingall**

Engagement Lead

for Grant Thornton UK LLP

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The client names quoted within this report are disclosed on a confidential basis. All information in this document is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

# How we brought you added value this year

## Council leadership

### We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health and our reports on Pensions Governance, Alternative Delivery Models, Welfare Reform, High Growth Index, Better Care Fund and 2020 Vision.

## Audit - sub committee

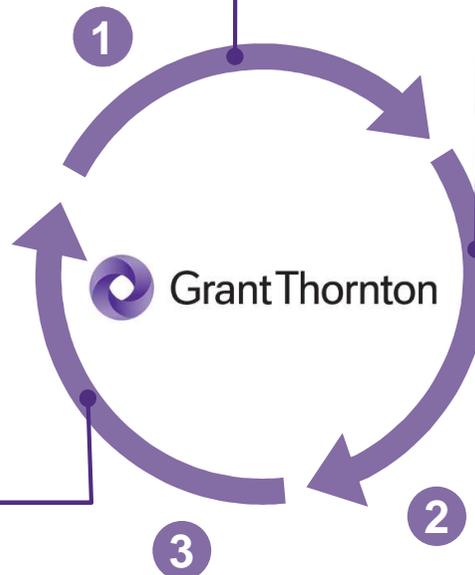
### We:

- provided independent external audit commentary and insight on your key issues through senior attendance at Audit-Sub Committees
- invested in regular dialogue with the Audit-Sub Committees to ensure there were no surprises and to maintain a robust and independent stance throughout our audit
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

## Council management

### We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and other issues including WGA and grant certification work to ensure you submit accurate figures to central government.
- shared technical knowledge, provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our annual finance seminar
- liaised with internal audit to minimise duplication.

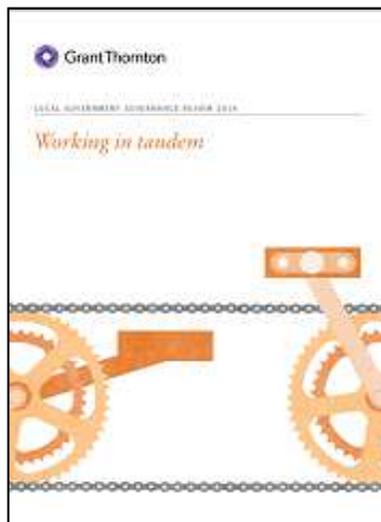


# Supporting corporate governance

Each year, we review good governance in Local Government as part of our wider analysis of UK governance practice. This complements our reviews on corporates in the FTSE 350, the NHS and charities. We aim to help organisations improve their governance by learning from other sectors and their peers and to identify examples of good practice and areas where there is scope for further development.

Our national reviews of Local Government corporate governance include analysis of the financial statements and survey responses. We include insight from similar reviews we undertake at FTSE 350 listed companies, which allows us to promote the highest standards of good governance and public reporting. Some key highlights are set out opposite.

We would be happy to engage with you during the year to benchmark your performance against the national group. In this way, you can benefit from good practice across our national Local Government client base.



**Download findings from our Improving Local Government report from March 2014:**

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>

In reviewing your annual governance statement, we assess your arrangements for providing assurance to those responsible for signing the statement.

Your Audit-Sub Committee members are invited to attend our local government network which discusses relevant and current topics.

We share our sector insights to ensure you are fully aware of sector developments and challenges that may affect your governance or risk management arrangements.

# Focus on financial resilience

(as at September 2014)

**In the current challenging economic climate, we invest in providing enhanced analysis and reporting on your financial resilience. This includes a RAG rated assessment of where you are performing well and any areas requiring increased attention.**

We reported the findings from our 2013/14 financial resilience review to the September 2014 Audit – Sub Committee. Some key highlights from our work are set out opposite. Our latest national report on Local Government financial resilience was published in December 2014. It draws on the results of our assessment of financial resilience across all of our Local Government bodies in England.

We are also able to benchmark you against your peers to help support continued improvement. We can provide and discuss more detailed comparative data with you and consider what this means for your financial resilience, if that is of interest.



**Download findings from our Rising to the challenge report from December 2014:**

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/rising-to-the-challenge-the-evolution-of-local-government.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/rising-to-the-challenge-the-evolution-of-local-government.pdf)



There is an estimated budget deficit in the future, rising from £172,000 in 2015/16 to nearly £900,000 in 2018/19. The Council faces a financial challenge to identify savings in order to keep the financial position sustainable over the medium term.

The five year Medium Term Financial Plan has been updated to reflect the Council's changing financial environment. In order for a sustainable position to be achieved in the medium term and to maintain a minimum level of balances a savings requirement of £175,000 is required from 2014/15.

The Council has a good track record in managing its budget.

The Council has effective financial control in place. This includes its budget planning, the monitoring of its financial position and its financial forecasting, including savings planning.

These findings are as at September 2014, when our Financial Resilience work was reported to the Audit - Sub Committee.

# Welfare Reform and Alternative Delivery Models in Local Government



## In 2013, we surveyed a sample of 39 clients in the local government sector and 44 in housing associations in England

The report focuses on the governance and management arrangements being put in place nationally across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and the risks on the reform agenda in the wider context of social impact. The key messages include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- The full impact of reform has yet to be felt; there is an element of calm before the storm

Download findings from our Alternative Delivery Model report from January 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>

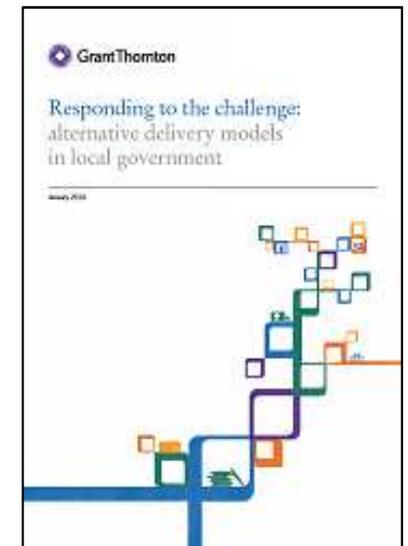
## In 2013, we surveyed a sample of 70 clients in the local government sector and identified nearly 40 different services they had externalised and provided under an alternative delivery model.

This report

- outlines the main alternative delivery models
- aims to assist other authorities as they develop their options and implement innovation strategies
- considers aspects of risk.

Download findings from: our National Welfare Reform report from February 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>



# High Growth Index in Local Government



Where growth happens  
*The high growth index of places*

Place Analytics Insight  
Autumn 2014



## In 2014, we issued a report on where growth happens in the local government sector in England.

The report focuses on the high growth, dynamic growth and growth corridors. The key messages include:

- **High Growth** – Our High Growth Index of places, based on economic and demographic measures, shows the pivotal role played by London in driving growth nationally and the role of cities for driving growth regionally. Outside London, Manchester is the strongest performer, with Birmingham, Milton Keynes, Bristol and Brighton and Hove all ranking in the top five.
- **Dynamic Growth** – Highlighting past areas of growth, however, may not necessarily be an indicator of future growth or sustainability. A dynamism index, ranked by assessing a basket of productivity drivers, indicates the quality of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington.
- **Growth Corridors** – Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors. These are functional, large scale, economic areas which have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high growth and dynamic areas.

Download findings from:  
our **Where Growth Happens** report from **Autumn 2014**:

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

# Our unique credentials

**Biggest  
UK CIPFA employer**



## Overview

You are an ambitious Council with a vision of making South Derbyshire a better place to live, work and visit.

We are proud to be associated with you. You are important to us and we are passionate about supporting you to achieve your strategic goals.

As the largest supplier of external audit to local government in the country, we are uniquely placed to work with you and support you in achieving your goals. We understand the political and public sector environment you work in and the challenges and pressures you are facing. We have a genuine insight and understanding into your business and your needs, from our many decades of dedication working in the public sector and our longstanding commitment to local government.

With Grant Thornton, you benefit from the full commitment of an experienced team that has worked together over many years and has a passion for helping you achieve your success.

We believe in Local Government. All our Local Government specialist staff know and understand the unique issues faced by the Local Government bodies. We have the experienced resources available to meet your needs and support you in responding to the challenges you face. Our commitment to you is that we will work with you and help and support management and the Audit – Sub Committee in achieving your goals. We believe that with our extensive knowledge of the Council and our highly skilled and experienced local audit team, we are exceptionally well placed to support the Council over the next few critical years.

At a national level, our extensive access to our wider audit practice, our networks

with central government, local government and healthcare bodies and our focus on people as the driving force for quality and innovation set us apart. Grant Thornton benefits you by:

- bringing its commitment to improving public sector financial and service management for the benefit of users
- fielding local experts in the strategic and operational needs of the Council
- sharing best practice, knowledge and up to date information from across local government, drawing on the knowledge gained from our unparalleled market share
- delivering a high-quality audit focused on the specific issues you face. We audit more councils than any other audit firm and draw on the insights this provides us to tailor our work with you.

At a local level, we offer you:

- an audit team which understands the Council, its direction and objectives and the environment in which you operate, identifying areas where we can support you
- an audit team which is not afraid to deliver difficult messages to you and provide robust challenge to management
- a proven track record of delivering high quality audit work, working with you in partnership to deliver better services for local people.

**We are confident we can continue to meet your requirements for a comprehensive, efficient and effective external audit service. You will benefit from our relationship as you face the challenges of delivering a modern and customer focused service. We look forward to continuing our working relationship with you.**

# National and local expertise

# 138

Local Government  
audit clients

# 400+

Dedicated public  
sector staff

## National credentials

- Through our Audit Commission framework contract, we have been **external auditors to Local Government since 1982**. Over this time, and based on the quality of our work, we have increased our Local Government audit presence.
- Following the outsourcing of the Audit Commission's in-house audit practice we are proud to be **largest external provider of audit services to Local Government, serving 40% of the market**.
- We are currently **auditors to 138 Local Government authorities**.
- We have audit staff on secondment to local authorities, helping our staff learn about local government from the inside out. We also train our staff on the latest developments within Local Government. We also receive staff on secondment from clients. We would be happy to discuss secondment opportunities with you.
- We also deliver a national programme of GT closedown workshops in partnership with CIPFA FAN; a joint approach which allows the opportunity for delegates to hear both the key accounting issues and the audit considerations for the accounts in one combined event.
- We have delivered a series of Local Government Audit Committee conferences for Members, to encourage better governance in Local Government.

## Local focus

- Our Midlands Public Sector Assurance team is made up of over **65 dedicated local government and NHS external audit specialists** with extensive skills and experience with local Government. The regional team undertakes external audit services for **two County Councils, four Unitary Councils, five Metropolitan Councils, 19 District Councils and 17 other local government, pension, police and fire authorities**.
- We work flexibly across our assurance and advisory teams. For example, we have a **rolling programme of secondments into the advisory team**, which gives our auditors the broader perspective that our clients appreciate.
- We also have VAT, employment tax, real estate, infrastructure, governance, performance improvement and anti-fraud experts with significant experience of our current Local Government clients

**All of this means that our Local Government clients can be assured of relevant expert knowledge and expertise to support them with current and forthcoming challenges.**

# Experience of Local Government issues

**We have significant experience of the local government sector, and are aware that this is a challenging period for Local Government.**

Challenges include the Welfare reforms, the introduction of joint social care, rising demand for services, demands for higher and more consistent quality of service, the reduction of central government grants, the localisation of funding and increasing financial pressures.

Our experience, both locally and nationally, has enabled us to develop a number of audit and advisory services to support our clients in achieving their objectives. We set out opposite some of our areas of specialism:



## Regulatory requirements

- Value-added assurance services; external audit; internal audit; governance reviews; financial reporting reviews; IFRS reporting; risk management including IT and systems assurance

## Governance

- Advice on governance including: assessment of governance effectiveness and the roles, responsibilities and capabilities of individual directors, working with leaders and Members developing strategy

## Efficiency agenda

- Operational services reorganisation; turnarounds; skills gap analysis; performance management; service and cost savings reviews; costing analysis and benchmarking; shared service project support; procurement support; treasury and finance department reviews

## Managing infrastructure

- PFI work providing: bid evaluation; refinancing; feasibility studies; preparation of business cases; risk analysis and public sector comparator development; development of payment mechanisms; financial modelling; and funding competitions

## Asset management

- use of assets for regeneration, reviews of efficiency and cost in use; diagnostics of performance of inventory, evaluating and prioritising options and implementing rationalisation of assets

## Major investments, mergers and acquisitions

- Investment appraisals; business case support; investment due diligence; due diligence and advisory services

## Establishment of property trading arms and companies

- Assisting with procurement of development partners, structuring and establishing development vehicles such as Strategic Partnerships, Local Asset Backed Vehicles, and Joint Venture Companies

## Alternative Delivery Models

- Outsourcing; quantitative data analysis and stakeholder interviews, benchmarking results against our database of outsourced partnership activity

## Tax advice

- Corporate and international tax; indirect tax; employer solutions

# Helping to address your challenges

Area of focus	Your challenges	Examples of how we have helped you and other Local Government bodies
<b>Optimise operations</b>	<p><b>Significant budget shortfalls</b> - you face a significant challenge over the forthcoming four years (2015/16 to 2018/19). There is an estimated budget deficit rising from £172,000 in 2015/16 to nearly £900,000 in 2018/19.</p> <p><b>Cost Improvement Plans</b> – in order for a sustainable position to be achieved in the medium term and to maintain a minimum level of balances a savings requirement of £175,000 is required from 2014/15.</p> <p><b>Effectiveness:</b> The Medium Term Financial Plan takes account of changing national funding and assesses the impact of these changes on the Council's strategic priorities and financial targets, and also considers other income streams that could be increased to supplement the loss of government grant funding. The Council is continuously seeking to improve efficiency through changing the way that it works including shared services and working in partnership with neighbouring councils.</p>	<ul style="list-style-type: none"> <li>• We review your arrangements for setting and monitoring your savings plans and assess whether they are realistic and feasible.</li> <li>• We review whether you have appropriate financial management arrangements and plans in place to tackle financial resilience in the longer term.</li> <li>• At other sites, we have facilitated workshops, leading to the generation of a 'long list' of long-term, sustainable savings and service redesign proposals which will feed in to future savings programmes.</li> </ul>
<b>Welfare Reform</b>	<p><b>Welfare Reform</b> – changes to housing benefit and welfare reform continue to increase the rate of homelessness and demand for social housing. Changes include Welfare Benefit cap, under-occupancy adjustment (bedroom limit), Universal Credit and Direct Payments.</p>	<ul style="list-style-type: none"> <li>• Our 2014 Welfare report draws on our experience and that of our clients, over the past year, in order to provide insight into the impact of welfare reform and will be the first in a series of updates that will contribute to understanding of these issues within the sector and provide a platform for sharing experience and good practice.</li> </ul>
<b>Realise strategic ambition</b>	<p><b>The South Derbyshire draft Local Plan</b> – The vision for South Derbyshire is one of sustainable growth, renewal and opportunity. The Plan's Strategy is about harnessing the energy and opportunities of sustainable growth to secure positive benefits for the District's residents and employers.</p>	<ul style="list-style-type: none"> <li>• We are introducing Vivien Holland (Regional Lead – Local Government Advisory) to you, to discuss benchmarking in connection with the existing service contracts.</li> <li>• We invited Members and officers to our Local Government seminar covering:             <ul style="list-style-type: none"> <li>➢ 2020 Vision: Exploring finance and policy futures for English local government</li> <li>➢ Where Growth Happens: the high growth index of places</li> <li>➢ Where is your Council on the high growth index of places?</li> </ul> </li> </ul>

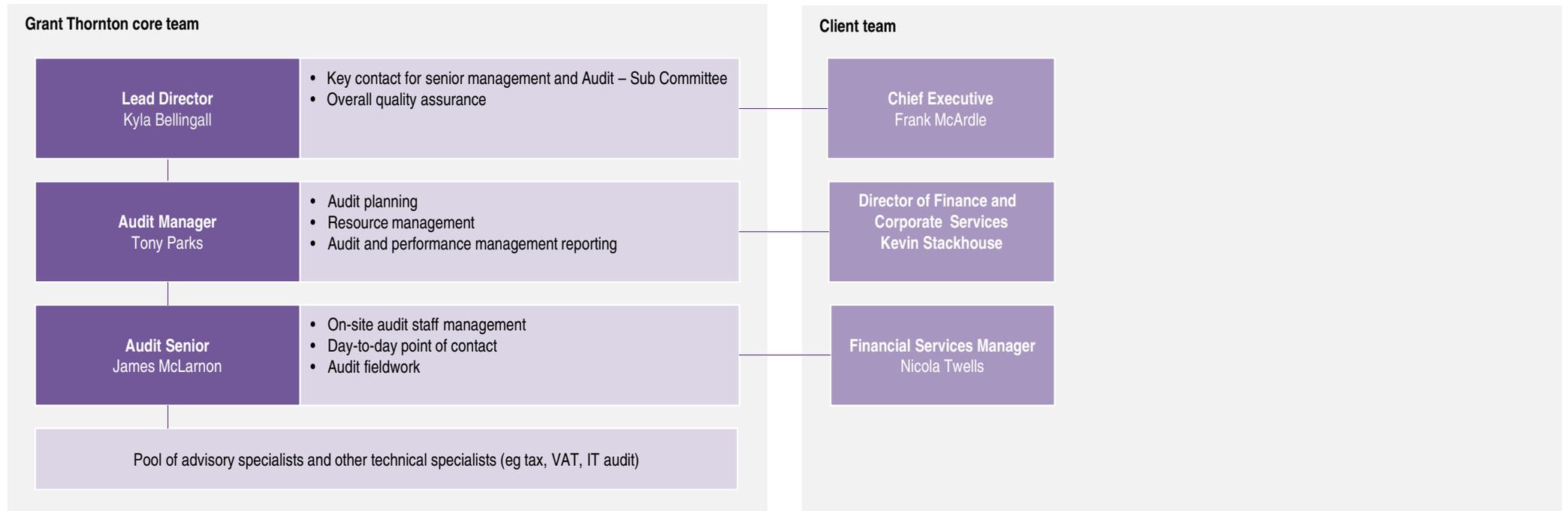
Your audit team will be happy to further discuss these and other challenges with you, and will involve relevant specialists where this is of value to you.

# Your client service team

**We understand what you expect from us: an approachable, proactive, locally based and highly skilled team with access to a national network of specialists and expertise as required.**

The existing team will continue to:

- understand you and your priorities, and provide innovative and constructive advice
- challenge you where necessary to support your continued improvement
- be readily accessible and responsive to your needs but independent and challenging to deliver a rigorous audit
- be connected into a Local Government network
- communicate relevant information to you in a prompt, clear and concise manner



# Our fees

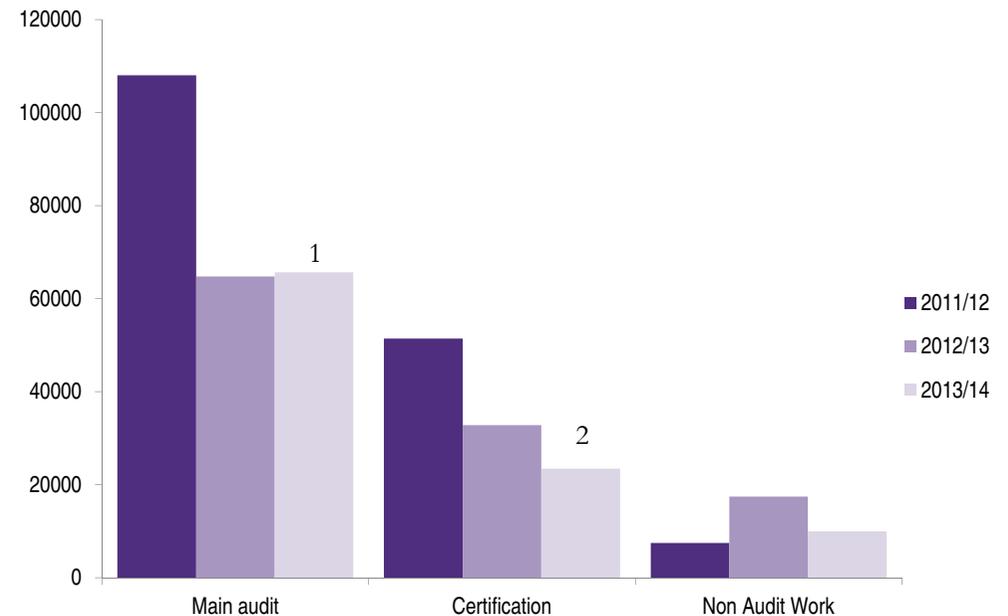
## Our fee proposal provides you with transparency and value for money.

Our fees over the past two years and for the current year are set out in the chart to the right. These fees are set by the Audit Commission.

We are committed to openness and transparency in our fee with you. We know that you want an external audit that continues to offer a transparent fee structure which represents best value for money.

To deliver against your needs our fee includes:

- discounted rates – our position as the largest auditors to local government allows us to offer a discount on our usual rates
- no hidden costs – the fee we propose is the fee we will charge (plus VAT)
- investment in our relationship – the value in the core audit and the additional added value inputs we describe in this document are all included in the fee
- certainty over fee levels year on year – we hold the fee for the duration of the contract, absorbing fee inflation through audit efficiencies
- specialist, qualified staff - 100% of the time spent on the audit will be from qualified or part qualified staff, with over 60% from fully qualified staff, all specialists in working with local government
- expenses are included – saving you the 5%-10% that may typically arise on a contract
- no assumption of additional fee income – our external audit fee includes no assumption around you commissioning additional paid for services from us.



1. Includes £900 in respect of work on material business rates balances.
2. This is subject to approval by the Audit Commission





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