

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

28 January 2013

Report of the Director of Finance

Part 1- Public

Matters for Information

1 GRANT THORNTON PUBLICATION – TOWARDS A TIPPING POINT?

Grant Thornton in December 2012 published a report entitled 'Towards a Tipping Point? – the financial health of English local authorities'.

1.1 Introduction

1.1.1 Grant Thornton, our External Auditors, published a report in December entitled "Towards a Tipping Point?" which assessed whether local authorities nationally have arrangements in place to ensure their sustainable financial future. The summary report is attached at **[Annex 1]**.

1.1.2 The focus of the work undertaken was on the 2012/13 financial planning period and the delivery of the 2011/12 budget. Grant Thornton analysed the following thematic areas:

- 1) Key indicators of financial performance
- 2) Strategic financial planning
- 3) Financial governance
- 4) Financial controls

1.1.3 As the report suggests, local government has traditionally delivered on whatever financial challenges that have been thrown at it. However, it concludes by saying that local government's resilience over the medium term remains far less certain and a "tipping point" is on the horizon.

1.1.4 The report defines a "tipping point" as '***the critical point in an evolving situation that leads to a new and irreversible development***'.

1.1.5 Six scenarios are identified within the report (page 5) for such a tipping point. These are:-

- Statutory – where a local authority can no longer meet its statutory responsibilities within the funding available;
- Financial – where the S151 Officer is unable to set a balanced budget;
- Industrial – as a consequence of e.g. pay restraint or job losses, there is major service disruption;
- External – failure of a major supplier leading to major disruption;
- Incremental – multiple, smaller tipping points relating to individual service areas leading to a ‘critical mass’ of tipping points;
- Decision paralysis – failure to make the challenging but necessary decision required to manage financial and other challenges.

1.2 Tonbridge & Malling

1.2.1 The Council, like all local authorities, is currently facing an extremely challenging financial time. In addition, the ‘capacity’ of the organisation is stretched and must be managed and prioritised carefully.

1.2.2 As Members are aware, we have a ‘funding gap’ of approaching £3.0million which we must bridge within the next five or six years. During that time, our reserves will assist in cushioning the impact, but it is imperative that we find ways of reducing expenditure (or increasing income). We have set targets for this and we must monitor our performance against this extremely carefully. If we do not, we could face a tipping point as described by Grant Thornton.

1.3 Legal Implications

1.3.1 Grant Thornton has been appointed by the Audit Commission to provide an External Audit service to the Council.

1.4 Financial and Value for Money Considerations

1.4.1 None arising from this report, but Members are aware of the financial challenges facing the Council.

1.5 Risk Assessment

1.5.1 As set out in the report.

Background papers:

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Nil

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