

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

27 January 2014

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 AUDIT COMMISSION PUBLICATION – TOUGH TIMES 2013 – COUNCILS’ RESPONSES TO FINANCIAL CHALLENGES FROM 2010/11 TO 2013/14 AND GRANT THORNTON PUBLICATION – 2016 TIPPING POINT - CHALLENGING THE CURRENT

The Audit Commission in November 2013 published its third and final report examining councils’ financial resilience in response to reductions in funding from central government and a number of other financial challenges since 2010/11. A similar report published by Grant Thornton in December 2013 assesses whether a sample of English local authorities have arrangements in place to ensure their sustainable financial future.

1.1 Introduction

1.1.1 Tough Times 2013 provides an up-to-date picture of how councils coped financially in 2012/13; their expected funding and spending for 2013/14; and the views of the Commission’s appointed auditors on councils’ short and medium term financial resilience. The research shows that to date councils have risen to the challenges presented by reduced funding, whilst acknowledging that significant financial challenges lie ahead for councils as reductions in funding from central government continue.

1.1.2 The paper, based on an analysis of financial data on English councils’ actual spending in 2012/13 and spending plans for 2013/14; and a survey of councils’ appointed auditors provides an up-to-date picture of: how councils coped financially in 2012/13, councils’ expected funding and spending in 2013/14; and auditors’ views on councils’ short and medium term financial resilience.

1.1.3 The paper runs to some 53 pages so rather than reproduce in hard copy, the paper can be found at the following link:

<http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf>

- 1.1.4 The Commission's research found that the three strategies most widely adopted by councils in response to their financial challenges since 2010/11 were: reducing overall staff numbers; delivering some services more efficiently; and reducing or restructuring the senior management team. Councils also entered into new service delivery arrangements; renegotiated existing service delivery contracts and are strategically using revenue reserves to support recurrent spending – not simply as an unplanned measure. The Audit Commission believe that councils must share what they have learnt about making savings and keep looking for new ways to deliver public services that rely less on funding from central government.
- 1.1.5 The Grant Thornton publication concluded that 79% of local authorities expect some form of tipping point in 2015/16 or 2016/17. The report also suggests some of the key priorities for local authorities in responding to the challenge of remaining financial sustainable. This includes a relentless focus on generating additional sources of revenue income from: investments in the commercial property portfolio; increased commercialisation of services and local authority trading; and regeneration and inward investment to boost local economic activity. In addition, councils will need to continue to improve efficiency through shared services, strategic partnerships and wider re-organisation.
- 1.1.6 The paper runs to some 34 pages so rather than reproduce in hard copy, the paper can be found at the following link:
- http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf

1.2 Annual Audit Letter and Medium Term Financial Strategy

- 1.2.1 The Annual Audit Letter for the year ended 31 March 2013 concluded that: "The Council continues to have a strong focus on effective financial management, including a robust medium term financial planning framework. Although the Council faces significant financial pressures in future years it has an effective framework of arrangements to address these pressures."
- 1.2.2 The Council is keenly aware of the significant financial challenge that lies ahead as reductions in funding from central government continue, but we believe our Medium Term Financial Strategy is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way. Clearly, the absolute size of the 'funding gap' will influence the timescales we afford ourselves to address the problem.

1.3 Legal Implications

- 1.3.1 The Audit Commission is a public corporation set up in 1983 to protect the public purse. The Commission appoints auditors to a range of local public bodies and oversee their work. They also help public bodies manage the financial challenges they face by providing authoritative, evidence-based analysis.

1.4 Financial and Value for Money Considerations

1.4.1 As set out in the above Audit Commission and Grant Thornton publications.

1.5 Risk Assessment

1.5.1 As set out in the above Audit Commission and Grant Thornton publications.

Background papers:

Nil

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