

Agenda Item 7

Report To: **Audit Committee**

Date: **27 June 2013**

Report Title: **Governance and Risk – Grant Thornton’s national research reports**

Report Author: Paul Naylor (Deputy Chief Executive)

Summary: At the last formal meeting of the Committee in March members heard from our external auditors (Grant Thornton) of two national reports they had issued that were of particular relevance and interest to the committee and the council. These were subsequently considered at an informal meeting at the end of April. Summaries of the reports and the conclusions from the informal meeting are now reported. The committee is being asked to endorse a number of actions designed to further evolve both the committee’s role in governance and the council’s arrangements more generally.

Key Decision: Not applicable

Affected Wards: None specifically

Recommendation: **The Committee is asked to support the conclusions, set out in the table at Paragraph 6, and to recommend the various actions to the Council, which respond to issues raised in our external auditor’s national research projects on governance and risk.**

Policy overview The council’s governance arrangements are fundamentally important to its success and ensuring strong accountability to residents and other stakeholders. Elsewhere on this agenda the committee will consider its annual governance review report. The conclusions in this report complement that report also.

Financial implications None arise from this report

Risk assessment	The national reports specifically address issues of risk, and the conclusions from members' informal review and now reported are designed to further strengthen the council's governance and the approach to managing strategic and service risks.
Equalities impacts	None specifically arise
Other material implications	None specifically arise
Background papers	None
Contact	Paul.naylor@ashford.gov.uk – Tel 01233 330436

Report: Governance and Risk – Grant Thornton’s national research reports

Introduction

1. At the last formal meeting of the Committee members heard from our external auditors (Grant Thornton) of two national reports they had issued that were of particular relevance and interest to the committee and the council, as they focused on governance and risk relating to the challenging climate increasingly councils face.
2. The two papers were subsequently considered at an informal meeting of the Committee at the end of April. Links to the full papers are provided below:
 - a) ‘Improving council governance, a slow burner’, *Grant Thornton UK, February 2013* (http://www.grant-thornton.co.uk/Global/Publication_pdf/Local-Government-Governance-Review-2013.pdf)
 - b) ‘Towards a tipping point’ - *Summary findings from our second year of financial health checks of English local authorities, Grant Thornton UK, December 2012* (http://www.grant-thornton.co.uk/Global/Publication_pdf/towards-tipping-point-report.pdf)
3. It is important to understand the reports reflect findings from national survey work, and are not, therefore, necessarily reflecting the position for an individual council.
4. Both reports are of relevance to the Committee’s work, and include some interesting and significant findings.
5. Summaries of both reports were presented to the informal meeting and are re-presented on this agenda. Access to the full reports is provided via the document links above.

Action points from the informal meeting

6. Several key points to develop the Committee’s effectiveness and the council’s governance came out of the meeting. These are summarised below:

Issue	Conclusion	Action
Question of non-elected member(s) representation on the committee	Members concluded that this question should be re-visited after the 2015 election, and therefore by a new administration	No action therefore recommended at this time
Aligning audit committee work and overview and scrutiny work to support council's priorities	Accepted the committee should develop its role to further support the council achieving its strategic objectives – see the next point concerning risk management. Also considered there should be a discussion with the chairman of the Overview and Scrutiny Committee to establish the potential for stronger alignment of the two committees work.	The chairs of this committee and the Overview and Scrutiny Committee have since met and there was agreement for a stronger alignment of work to support helping the council to achieve its overall priorities. For the O and S Committee it was viewed by its chairman as providing welcomed opportunities for productive reviews for the benefit of members generally. Discussion to be held with the Leader and further ideas shaped.
Audit Committees role in strategic risk management	Agreed the committee should more frequently discuss the position regarding the identified strategic risks, with the various risk owners.	This action is starting with this committee, and subject to review it would be the intention for each meeting to consider a specific risk(s).
Medium Term Financial Plan Risk	In view of the 'tipping point' report, members felt it necessary to review the strategic risks concerning the medium term financial plan.	The Deputy Chief Executive was asked to bring forward a report to this meeting.
Annual Governance Statement	Its presentation needed to be addressed, as well as ensuring it adequately reflected governance matters needing attention.	These points have been addressed in the draft annual governance statement included elsewhere on the agenda.

Annual Report	Members concluded the council should produce an annual report that is web-enabled.	This is to be taken forward, given also the Leader's similar commitment for such a report.
Developing members' awareness	<p>Concluded that pre-committee briefings should take place routinely before each Audit Committee, to provide opportunities for briefings and discussion of topical matters.</p> <p>It was also concluded that the Head of the Audit Partnership should circulate a 'skills matrix' to committee members to help determine members' needs.</p>	<p>A programme is being developed.</p> <p>The H of AP has this in hand.</p>

Conclusion

- Grant Thornton's two national reports and members' informal discussion in April have helped to identify further enhancements to this committee's role and work, which should help to maintain our strong focus on corporate governance. Some actions have already been carried out, with the committee seeing the product of this in the Annual Governance Report, and the item on a specific risk for this agenda. Other actions will follow over the course of the next few months.

Contact: paul.naylor@ashford.gov.uk (01233 330436)

Report to Audit Committee – 27 June 2013

Summary of Grant Thornton's national research report – 'Improving council governance'

Introduction

1. Earlier this year our external auditors (Grant Thornton UK plc) published their annual review of governance in local government. Their report formed part of Grant Thornton's wider analysis of UK governance practice, and complements reviews on companies in the FTSE 350, the NHS and charities. Within the total suite of reports, Grant Thornton aim to help organisations improve their governance by learning from other sectors and their peers.
2. The summary that follows was considered at an informal meeting of the Audit Committee in April, and considered alongside another Grant Thornton national report ('tipping point') which is summarised in the next paper on the agenda.
3. Actions recommended from the informal meeting covering both reports are set out in the covering action plan.

Executive Summary

4. Grant Thornton's findings were the result of a survey of 64 council leaders and comparison to their own analysis of 153 councils' financial statements and Annual Governance Statements (AGS). The context for the review and its recommendation is the enduring period of lasting financial and policy change, and demographic pressures that councils must work within and face.
5. The report is presented with two principal themes:
 - public facing governance (through formal documents such as the accounts and the AGS)
 - behind the scenes of governance (focusing on leadership tone, people issues, cultures, process and the roles of Audit and Scrutiny committees).
6. The report contains the following key messages for councils:
 - Effective, embedded governance is essential to meet the challenges ahead, if stakeholder support is to be maintained
 - Effective governance inspires public confidence in a council's ability to make the right decisions, and use public money wisely

- The public face of governance is represented by its formal documents, its general approach to publicity, its on-line access to information and access to information arrangements generally.
- Despite council leaders feeling positive about their councils governance arrangements, Grant Thornton's research suggest some underlying concerns need tackling. For example, a significant number of respondents accept that some of the important public facing documents (the accounts) unsurprisingly are technically complex and simply not designed to embrace wider public understanding.
- Annual reporting by councils is not common. Web-enabled annual reports are seen by Grant Thornton as a potential means to carry simple and effective messages about progress, performance and outcomes to residents at large, and, therefore, currently a missed opportunity.
- In dealing with the financial challenges, councils should shift governance emphasis from ensuring compliance to promoting effectiveness and getting greater value from governance and decision-making arrangements

'The public face of governance'

7. There are many conduits for public contact and accountability, but the research findings suggest there remains much scope for communications improvement (to local people and stakeholders)
 - Councils should reflect on their various media arrangements ensuring arrangements are not opaque, hard to navigate, are outward facing, and well-aligned to achieving strategic goals
 - Councils should make the most of the opportunities presented by important public documents such as: the annual accounts (with particular emphasis on the explanatory foreword), and the AGS.
 - Councils should occasionally test public and stakeholder reaction to published material
 - Grant Thornton sees that modern web-enabled annual reports can boost transparency, confidence, and accountability.

'Behind the scenes of governance'

8. Published statements are the visible, potentially high-profile face of council governance, but as important to effective governance are a council's people, its culture and the style of processes it adopts.

- In good governance arrangements the entire organisation is aligned to understanding and achieving strategic goals, effectively and ethically
- Leaders (political and managerial) set the tone from the top
- Where cultures are not aligned, leaders must have skills to bring lasting change
- Governance arrangements, scrutiny, audit, and risk management need to support achievement of strategic objectives and complement each other
- Councils must ensure governance is fit for purpose and with councils having limited resources ensure that effort is focused on areas of greatest need and risk

Messages from Grant Thornton's findings

9. Grant Thornton found significant disparities between the positivity of survey responses from leaders and the desk research. In particular Grant Thornton highlight:
 - The final product of year-end statements (particularly the AGS) is typically a distinct year-end exercise, not well integrated into continuing governance reviews
 - Leaders potentially understate the significance of their own role for driving performance
 - Members are underdeveloped as councils are typically not investing enough in member development
 - Despite councils understanding they alone can't solve all the problems they face, a significant number of survey respondents (councils) were unclear about a council's role and responsibility when working in partnership

Public facing governance - In more detail

10. This section contains more detailed observations from the research on the documents that make up the formal public face of governance.

The Accounts

11. Routinely criticised as being impenetrable, but survey responses also suggest councils feels they have made great strides to improve understanding (Grant Thornton question this understanding)

12. Engaging with all those with an interest in the council is critical if they (residents and other stakeholders) may understand council performance and give feedback
13. Declutter the financial statements. Start early with an officer review. Ensure significant matters get the right emphasis with less detail for less significant matters. Have a non-accountant review draft content and ask 'is it necessary to include this information?' Ensure disclosures are up-to-date, remove duplication, and use a glossary to help understanding and lessen detail in the main content.

Explanatory forewords (EFs) to the financial statements

14. Grant Thornton appears critical of forewords that only meet minimum requirements.
15. Improvements to EFs would arise from: use of plain English, use of graphs and charts, focus on outcomes, and less technical content. Explaining the significant issues, provide a clear view of the financial position, and give a clear view of risks and doubts including effects of the economic climate.

Annual Governance Statements (AGS)

16. The findings suggest that AGS are typically composed at the end of the financial cycle, without involving all stakeholders
17. Councils' AGS should be more individualistic and avoid sticking slavishly to model AGS formats (treat these as guidance only). AGS should link to the key corporate and strategic council objectives. Preparation of the AGS should be a shared effort between members and officers with governance responsibilities. Ensure AGS are clear and honest. Involve performance officers in the production. Audit Committees role should be to ensure that significant governance issues are properly highlighted and reviewed.

Annual reports

18. Grant Thornton strongly encourages councils to produce web-enabled annual reports.
19. Ensure they are user-focused and focused on the council's key objectives and outcomes. Annual report production and publication need not wait for receipt of audited financial statements (timeliness is more important)

Behind the scenes of governance – in more detail

20. Organisational effectiveness will be weakened if the leadership and people culture is not encouraging of good governance arrangements. No amount of redesign will necessarily fix weaknesses in cultures.

21. Governance needs strong alignment to key council strategic objectives and that this is also reflected in the work of audit and scrutiny committees. Grant Thornton feels the role of governance in securing strategic objectives is lacking in full understanding.
22. Again devote time and resources to developing members' capacity and skills. Lead from the top to set the right the tone.

Audit committees

23. Grant Thornton's research suggests there is less certainty that audit committees are effective to changing risks. This may be linked to profile, though they suggest the sheer scale and complexity of the challenges facing councils can hinder effectiveness if committees are not adequately focused and supported.
24. Audit committee members need suitable skills, expertise and independence of mind to fulfil their role.
25. Important that a committee's work is planned and designed to support achievement of key council objectives.
26. Committees should agree what decides 'reasonable assurance'.
27. Committees should ask themselves 'are we achieving our objectives effectively and adding value to the council?'

Scrutiny committees

28. Again scrutiny work should be designed to support achievement of councils' key strategic objectives.
29. Scrutiny should be robust, explore choices and be able to recommend difficult choices.
30. Scrutiny role should be unambiguous, be more strategic and its members be trained and developed.

Risk management

31. Grant Thornton has some doubt that councils' risk management arrangements are embedded within organisations.
32. Strategic risks typically will now include (but be limited to) the impacts of: legislative and national policy change (including the finance regime), welfare reform, managing the intensity of change, demographic risks, joint working and partnering, and localism.

33. Without risk being supported by a corporate risk management role (typically the case in districts) it is perhaps more challenging to embed good risk management principles. Such absence at corporate level may therefore hinder development of a strong and effective risk culture (a culture that knows how to be aware of risks, take measured decisions, and is open to tolerating suitable levels of risk).

How does Ashford BC compare?

34. First it should be said that our external auditors in the last few years have consistently recognised this council's governance arrangements as one of its strengths. This, however, is no reason to be complacent about the findings from Grant Thornton's work, for its context, that of challenging years ahead, presents obvious challenges for this council. Nevertheless, with our track record we have a good foundation on which to build and improve further where needed.

On the formal documents

35. Ashford BC is most likely aligned with the councils in the past which produce formal documents (the statement of accounts, the explanatory foreword, and the annual governance statement) following formal (including statutory) guidance and past guidance from external audit.
36. Our formal **statements of accounts** are complex and lengthy despite our efforts to declutter these in recent years (only to see large pages of text substituted with new text following the full adoption of international financial reporting standards).
37. Our **explanatory foreword** has received attention more recently. We have sought to make this more informative. However, it is recognised there is more that could be done to reflect the particular emphasis and individualism suggested by Grant Thornton.
38. Our **annual governance statement** has reflected formal advice, but is typical of councils' formal documents and probably. We had a formal procedure to prepare the first two AGS in consultation with officers and members with responsibility for governance issues, though this was not used in preparing more recent statements. The real issue, although a fresh approach to presentation will help, is ensuring governance considerations that occur routinely (for example risk management, partnership governance, performance, audit assurance work etc), are seen as part of a wider governance context.

39. On **annual reports** this council has not produced one for some years, though does yearly report on progress and performance in various unconnected formats. A worry that a lack of public interest in a corporate annual report would not justify the effort has been suggested as a reason for this position. However, it's accepted that annual reporting should be seen as a positive opportunity, and an opportunity to draw succinctly together the work on business plan and service performance that is a feature of corporate and service work.

On the behind scenes of governance

40. We start from a good governance foundation. However there is more to do to develop people's understanding of its real scope (not simply being confined to internal controls and formal reporting) so there is greater appreciation for how strong governance aids effective achievement of organisation goals.
41. Our audit committee arrangements have developed a good reputation with our external auditors for the council's public-facing work on governance matters. However, it would be fair to say the challenges ahead mean more focus is needed on members' and officers' skills development.
42. The committee's work is not aligned with that of scrutiny, or vice versa, though this has not drawn adverse comment from our external auditors and has not been seen as a particular issue in the past.
43. On risk management the committee has started and now set up a new strategic risk management approach. Reviewing this is an important part of the committee's work, but it needs to ensure that its work on this is seen as a contribution to supporting organisational goals, rather than an end in itself.

Issues to consider

44. There are several issues that flow from Grant Thornton's report and related other work.
- a) *Where should the audit committee have influence and impact?*
45. It was suggested that audit committees should give further thought to whether the committee is working effectively and whether it is able to support achievement of organisation goals in several different ways. Does the Committee wish to give more consideration to this issue, possibly by using a self-assessment process? Is better alignment of scrutiny and audit committees' work to organisational goals needed, and if so how best is this approached?

b) *Keeping up-to-date with risk and governance issues*

46. There are several new legislative and regulatory changes affecting risk and governance, and trends in such aspects as counter fraud. The Committee may wish to consider how it can best be made aware of the relevant issues on a continuing basis?

c) *The formal documents*

47. The Audit Committee receives the AGS with periodic updates on reviews of any significant issues at subsequent meetings. But how could the Committee achieve even stronger focus on governance issues throughout the course of a year so the AGS is recognised as the final product of review work? How should the Committee get assurance for the Council about the various parts of the Statement?

48. Does the Committee support the aim to produce a web-enabled annual report with the aim this is a seamless product of other performance review work?

d) *Risk Management and assurance*

49. The Audit Committee needs to receive assurance on risks. Who should provide the assurance and how much reliance can be placed on it? Is the Committee satisfied with the assurance that it receives or is there a need to develop a more comprehensive assurance framework?

e) *Independent Audit Committee Member*

50. Some local authority audit committees have sought to appoint an independent, non-voting member to provide added technical skills to the Committee, for example to help with the approval of the Council's accounts. There has been debate about this by the committee in the past and of the pros and cons. However, the ability for the committee to appoint one or more co-opted non-voting independent (unelected) members remains if it so wishes. Does the committee feel it wishes to follow this route? If so, are there particular skills that are sought to enhance the effectiveness of the committee? Before reaching a conclusion it sensible to consult the Leader of the Council for his view.

Report to Audit Committee – 27 June 2013

Summary of Grant Thornton's national research report – 'Towards a tipping point?'

Introduction

1. In the face of continuing financial austerity to at least 2017 and possibly beyond, Grant Thornton's second review of financial health in local government provides important messages and advice to help councils cope through these challenging times.
2. This paper summarises Grant Thornton's report, focusing on the key findings and messages. It provides a commentary from officers of how this council compares, and then presents some key issues for consideration and discussion.

Context

3. Grant Thornton's findings are against the background of the largest planned cut in public spending since the 1920s, following a lasting period of growth in local government spending between 1997 and 2007 of nearly 50%. But councils do not just face significant funding cuts. They face also:
 - Increasing demands for some services and advice (for example, welfare reform related),
 - Reduced demand for some paid-for services (for example planning and parking),
 - Managing the service impacts of changing demographics, and demands of localism and the potential opening of service provision to others (for example community groups, and the voluntary sector).
4. In other words, a complex world, with many interplays and of course risks, as well as opportunities.

What makes up a tipping point?

5. Any or a combination of the following may mean a council has reached a position of 'a new and irreversible development' and one with longer term and adverse effects:
 - A local authority is no longer able to fulfil some its statutory duties, leading to legal challenges or protest

- A Section 151 Officer (the statutory chief financial officer) is forced to issue a statutory report as a council is unable to set a balanced budget, or because of its decisions or external factors is unable to work within prudent levels of reserves, or has the characteristics of an organisation unable to adequately meet its liabilities
 - Industrial unrest that becomes persistent because of workforce policy changes
 - A failure(s) of major suppliers or contractors leading to significant disruption
 - An inability to adequately address the longer-term position
 - Incremental, but smaller multiple effects that build to a larger critical adverse mass.
6. Not all councils of course will be facing these types of risks to the same level. Only a small number are considered most at risk at this stage (not this council we hasten to add, but one small district council elsewhere in the country is claimed to be 'unviable'). Whether some councils are immune is more questionable. However, the research suggests that councils' believe a tipping point is on the horizon.

The key themes of the report

7. Understanding and managing a council's position so it reduces the potential for a tipping point to arise focuses on four themes, as set out below. The report includes a suggested self-assessment checklist, linked to a simple RAG (red, amber, green) rating (our own self-assessment is included below).
- a) **Key indicators of performance** – related to the balance sheet (for example liquidity and borrowing exposure), workforce related (for example absence rates, turnover, vacancies, age profiles), reserves, and progress against financial targets
 - b) **Strategic financial planning** – how thorough is the MTFP and how robust are the underlying assumptions? How well linked to business and service planning is the MTFP? Is the MTFP and service and budget planning responsive to change?
 - c) **Strength of financial governance** – engagement with and support by leadership and management, accuracy of reporting to members

- d) ***strength of financial controls*** – performance against budgets and savings plans, internal and external audit findings
7. Grant Thornton's report discusses each of these risks and the research findings in turn. In summary the findings, taken overall, suggest most councils have improved managing risks since the 2010-2011 review, though as will be seen in one or two areas improvement has been less certain.
 8. On key financial performance indicators councils are treating financial challenges seriously, with councils checking important data and a number introducing key performance indicators into the MTFP planning for the first time in 2011-2012.
 9. On financial governance over 90% of councils were considered to have robust governance arrangements in place. This theme did however highlight the adequacy, accuracy and timeliness of financial reporting as a potential risk, as it is critical to effective monitoring and decision-making.
 10. On financial controls, although the research highlighted an overall improvement against the first survey in 2010-2011, it was the theme that highlighted more concern. Particular issues were: the stretch on finance staff capacity, increasing budgetary responsibilities for service managers, ensuring accurate and timely budget savings delivery reporting including giving clear information where alternative savings have been proposed or carried out against predetermined savings proposals.
 11. On strategic financial planning, this was the one area that saw a fall in overall ratings between 2010-2011 and 2011-2012 and reflects the increasing difficulty councils face in planning against an uncertain climate. Councils are advised they should apply more sensitivity testing to their assumptions and build strategies around more than one scenario. They cite foundation trusts in the NHS as a model.

How does Ashford BC compare?

12. As explained above Grant Thornton's review assessed some authorities against key themes each split into subcategories.
13. A desktop self-assessment following the structure of Grant Thornton's review has been completed by officers and gives a first view of the council's current position.

Theme	Sub-Category	Self Assessment
Key indicators of financial performance	Liquidity (the ability to meet liabilities as they fall due)	Green – no formal ratio of liquidity has been set, however the Council has current assets of £23.3m against Current liabilities of £16.7m giving a positive and healthy ratio of 1.39.
	Borrowing (gearing and leverage can be assessed in a number of ways).	<p>Amber: Long-term borrowing of £120m (including HRA debt) and long-term assets of £254m, giving a gearing ratio of 47.2%. This provides one measure of ‘gearing’, but then needs to be seen alongside a measure of annual interest cost to annual tax and rent revenues. Both measures are designed to show whether an organisation has greater exposure to adverse interest rate variations.</p> <p>Notional depreciation of General Fund assets in the statutory accounts is about £2.25m annually, but the MTFP is only providing for new borrowing to fund repairs and renewals of £0.5m, suggesting a growing backlog of property maintenance which is recognised by the management team having proposed actions to use the MTFP borrowing facility to address the position for the next five years.</p>
	Workforce	Green: overall levels of sickness and absence are good (for 2011/2012 5 days average per fte, for 2012/2013 data are not yet complete but it is predicted to be slightly higher). These averages include long-term sickness, and are favourably below public sector averages. Nevertheless, it is recognised there is greater organisational strain because of workloads, with some signs of stress – this has been the subject of consideration by the Overview and Scrutiny Committee, which continues to monitor the position.
	Performance against budget	Green: performance has been good with small underspends being delivered.
Reserve balances	<p>Amber: Total unearmarked reserves exceed the council’s minimum working level of 7% of net revenue spend, by a healthy margin.</p> <p>However, the scale of earmarked reserves (for a</p>	

		whole variety of risks including legal claims) acts as a potential constraint.
Strategic financial planning	Focus of the Medium Term Financial Plan	Amber: The Council has a good track record of focusing on the medium term with its financial planning, with robust scrutiny of assumptions a feature of the work. Nevertheless, the financial challenges ahead, particularly from 2015 and beyond, need a greater focus and early planning to achieve challenging budget targets in an orderly and confident fashion.
	Adequacy of planning assumptions	Green:- overall this has been done well with assumptions being reasonably accurate.
	Scope of the MTFP and links to annual planning	Amber: better use needs to be made to the data on service demands and activities that are held by services, but also service planning needs to reflect the MTFP forecasts to identify the actions necessary to respond to the challenges identified.
	Review processes	Green: the plan is regularly and continually reviewed.
	Responsiveness of the plan	Green: the MTFP model is responsive and can be flexed with changes in assumptions.
Financial governance	Understanding the financial environment	Green: Generally this has been understood and responded to, however CSR2013 will bring another wave of change and this will need to be considered and responded to.
	Executive and member engagement	Green: There has been good engagement throughout the medium term planning process
	Performance management of budgets	Green: generally issues are identified early and appropriate action is taken.
	Accuracy of committee/cabinet reporting	Green: The budget monitoring report transitioned to quarterly reporting and has worked well. The delays in government announcements in 2012 delayed reporting the MTFP in the autumn which was not ideal.
Financial	Performance	Green: this is good however a new focus on

controls	management of budgets	business rate collection, tax base and key income and expenditure areas will allow reporting to be adapted and management information to be created.
	Performance against savings plans	Green: The savings plan is being delivered and where necessary alternative savings are being identified.
	Key financial accounting systems	Green: systems are established and function effectively.
	Finance department resourcing	Amber: Consideration is being given to the resourcing levels in light of the finance changes and necessary work and the team is currently managing one long-term sickness absence, plus a maternity leave. Action has been taken to compensate and further action is intended to achieve an overall increase in capacity.
	Internal audit arrangements	Green: risk based approach has been adopted. Corporate risk register has been developed and is being monitored.
	External audit arrangements	Amber: this is the first year of Grant Thornton being the external auditors, this calls for a new approach which will need to be understood and responded too. We have confidence in our external auditors and in our ability to preserve standards, but because this is the first year of the transition with some doubt about how, in reality audit work will compare to previously, we have cautiously given this an 'amber' rating.

Issues to consider

- 14 The 'tipping point' report is useful in encouraging councils to sharply focus on financial and organisational risks, and will help shape our approaches to risk management and monitoring for the future. To focus discussion on some of the more key issues, four points are set out below.
 - a) The Government has now started its next spending review (CSR2013) which will settle government department funding levels from 2015 and beyond, and, therefore, funding levels for councils. It is widely expected that this will result in a further 20-25% cut in funding. How will this impact on the assessment above and what are the key areas that need to be monitored to ensure that a tipping point is not reached?

- b) The Council has a 5-year business plan, which is at the beginning of its 3rd year. A review of assumptions is now underway and will be discussed with the management team, portfolio holder and cabinet by the late spring/early summer. This will lead to changed assumptions about future years' budget gaps and the need, therefore, to plan for further budget bridging measures. In process terms the review and scrutiny of the MTFP as well as the proposals for next year's budget should be a feature of the work of the budget scrutiny task group.
- c) Does the Audit Committee consider it has a role in improving understanding around strategic financial planning, bearing in mind the role of the committee is principally to focus on approaches to risk management and testing assurances?
- d) In the light of the tipping point report are there new risks that need to be introduced into the corporate risk register? Or is it felt that risks are already covered, but the tipping point report provides advice about how the council may add more detailed considerations into its risk planning?