

**SURREY COUNTY COUNCIL**
**AUDIT PROGRESS REPORT – FEBRUARY 2013**

Work	Progress
<b>Audit Planning – 2012/13</b>	<p>We have started preparations for the 2012/13 audit and are working with the Council on the audit testing requirements for the financial statements.</p> <p>We will work with officers to ensure our audit work is focused on the key risks facing the Council in respect of its financial statements audit and Value for Money conclusion. On completion of our interim audit, we will set out our plans in more detail in the 2012/13 Audit Memorandum.</p>
<b>Grant Certification</b>	<p>All 2011/12 grant claims have been certified. Our Certification Work Report, on the agenda for today's meeting, documents our findings and the costs of this work.</p>
<b>Grant Thornton publication – Towards a Tipping Point</b>	<p>Grant Thornton published our second national study on financial resilience on 6 December. The report 'Towards a Tipping Point?' draws on work completed to inform our 2011/12 value for money conclusions in local authorities.</p> <p><a href="http://www.grant-thornton.co.uk/Global/Publication_pdf/towards-tipping-point-report.pdf">http://www.grant-thornton.co.uk/Global/Publication_pdf/towards-tipping-point-report.pdf</a></p> <p>With the Chancellor's announcements in the Autumn Statement that local authorities are facing a further funding reduction of 2% in 2014/15 (totalling £445m for the sector) and that the Government's deficit reduction programme will be required for a further year (2017/18), the financial challenges facing the sector remain considerable.</p> <p>Our report of assesses whether a sample of local authorities have arrangements in place to ensure their sustainable financial future. It shows that:</p> <ul style="list-style-type: none"> <li>• in the last 12 months the majority of categories examined have seen a slight improvement overall;</li> <li>• reserve balances, in particular, improved, reflecting better-than-expected performance in delivering budgets and prudent planning for an uncertain future;</li> <li>• strategic financial planning is the exception where risk was increasing and scenario planning, in particular, has scope for</li> </ul>

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	<p>development.</p> <p>Our analysis and discussions with the sector indicate that while local authorities have responded well, the pressures of the environment within which they operate mean that a ‘tipping point’ – a critical, irreversible juncture – could be on the horizon for some local authorities.</p> <p>Although its form remains unclear, the report suggests a number of tipping point scenarios as a point for discussion. While we do not believe that all authorities share the same level or types of risk, or indeed that all authorities could experience a tipping point, we are however engaging with the sector to explore the concept, what the consequences would be for stakeholders and what mitigating actions are required.</p> <p>We would be very interested to hear your views on the subject, so please do get in touch if you have a comment on the findings or would like to be involved in a wider discussion on what might constitute or help mitigate a tipping point for the sector.</p>
<p><b>Grant Thornton publication – Sustainable Businesses</b></p>	<p>Our recent survey of 200 mid-market businesses examines the extent to which sustainability issues are integrated into a company's DNA, embedded in its business model and reported on as such. Our report, 'Sustainable Businesses- Navigating towards a more sustainable future', examines these issues. This report is an insightful background into the sustainability challenges faced by businesses today and contains a section on the issues faced by local authorities.</p> <p><a href="http://www.grant-thornton.co.uk/en/Publications/2012/Sustainable-Businesses/">http://www.grant-thornton.co.uk/en/Publications/2012/Sustainable-Businesses/</a></p>
<p><b>Other publications</b></p>	<p>On 6 December, the Audit Commission published 'Striking a Balance', which presents the Commission’s findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them.</p> <p>The report encourages English councils to focus more attention on the £12.9 billion set aside in their reserves – the equivalent of nearly a third of their net spending on services in 2011/12. While it finds that councils routinely consider reserves as part of their annual budget setting, the report calls for officers to offer elected members clearer and more comprehensive advice, equipping them to make better-informed decisions. It also calls for greater clarity from councils about the reasons for holding reserves.</p> <p><a href="http://www.audit-commission.gov.uk/2012/12/striking-a-balance-improving-councils-decision-making-on-reserves/">http://www.audit-commission.gov.uk/2012/12/striking-a-balance-improving-councils-decision-making-on-reserves/</a></p>

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	<p>On 30 January the National Audit Office (NAO) published 'Financial Sustainability of Local Authorities', which examines central government's approach to local authority funding, and reviews local authorities' financial sustainability against a background of changes to their funding.</p> <p>The report concludes that so far, local authorities have been able to absorb central government funding reductions, but that there is emerging evidence that some service levels are reducing. Funding reductions are continuing, along with changes to the resourcing mechanism of local authorities. These changes increase financial uncertainty and more local authorities are facing the challenge to avoid financial difficulties while meeting their statutory responsibilities.</p> <p>The NAO recommends that the Department for Communities and Local Government build on previous work and better evaluate the impact of decisions on local authority finances and services – before and after implementation.</p> <p><a href="http://www.nao.org.uk/publications/1213/local_authority_sustainability.aspx">http://www.nao.org.uk/publications/1213/local_authority_sustainability.aspx</a></p>

**Grant Thornton UK LLP**

**February 2013**

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