

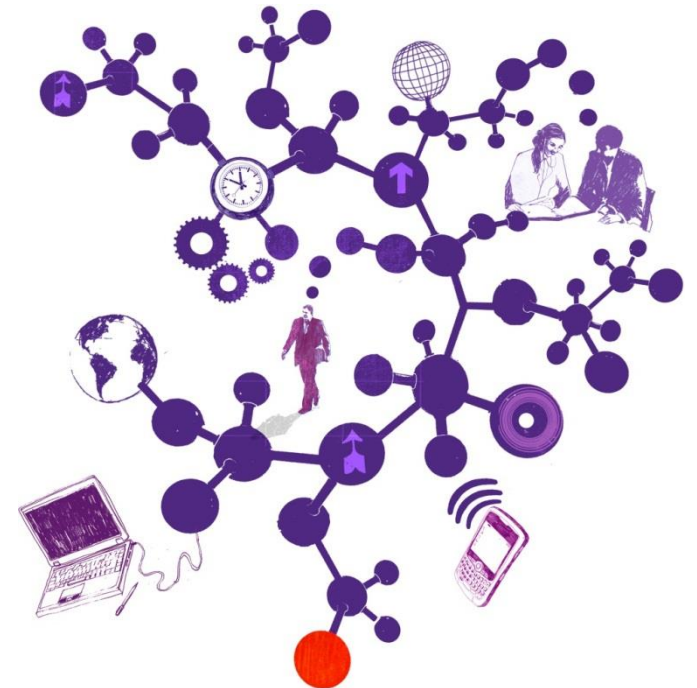
Benchmarking your arrangements for Securing Financial Resilience – Bath and North East Somerset Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

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Your financial resilience history

Value for Money conclusion

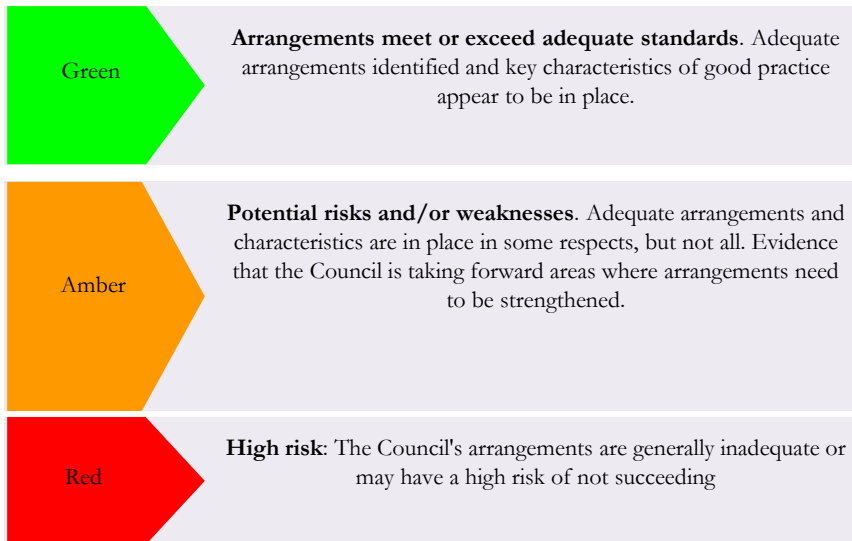
Our work supporting our Value for Money (VfM) conclusion, as part of statutory external audits, includes a review to determine if Councils have proper arrangements in place for securing financial resilience.

In so doing we consider whether Councils have robust financial systems and processes in place to manage their financial risks and opportunities, and to secure a stable financial position that enables them to continue to operate for the foreseeable future

The definition of foreseeable future for the purposes of these financial resilience review is 12 months from the date of our reports to clients.

Our Financial Resilience Ratings

We use a red/amber/green (RAG) rating with the following definitions



Benchmarking for Bath and North East Somerset

We are providing this benchmarking pack as further information on your financial resilience in 2012-13. and in the light of the recent issue of our national report on financial resilience in the sector "*2016 tipping point? Challenging the current*".

The benchmarking requested relates to:

- the national data set of all Councils;
- the other Somerset Councils that we have reviewed;
- the national data set of Unitary Authority clients.

For the first two years of our reviews (relating to the 2010/11 and 2011/12 VfM conclusions) we audited 7% of English local authorities. For the third year of our reviews (relating to the 2012/13 VfM conclusions) we audited 40% of English local authorities.

Our findings are set out over the following pages.

How did you perform?

What is the picture for 2012-13?

We have reviewed:

- key indicators of financial performance;
- strategic financial planning;
- financial governance; and
- financial control.

Within these thematic areas we have looked at 22 different categories and the graph below shows your performance on these categories. To the left are the overall ratings for the four themes, and to the right are the 22 categories.

The overall financial resilience performance for Bath and North East Somerset Council is green rated for all areas with no category of concern in the areas of Key Indicators, Strategic Financial Planning and Financial Governance.

With regard to Financial Control, the Council is assessed as amber for Internal and External Audit arrangements which suggest the need for more robust arrangements in both categories. These findings did not affect the overall rating for Financial Control.

Specifically in relation to Internal Audit, the Council was assessed as amber due to a significant reduction in the number of internal audit staff. We concluded that the Council needed to ensure that it continues to have a robust and resilient internal audit service. Since our review, in order to help to build this resilience, the Council has joined forces with North Somerset Council to share staff.

With regard to external audit, the Council was assessed as amber as the Council's asset register needed to be improved, particularly the reporting modules on the system. Some improvements had been made, but further work was required.



How do you compare?

Benchmarking against all Councils

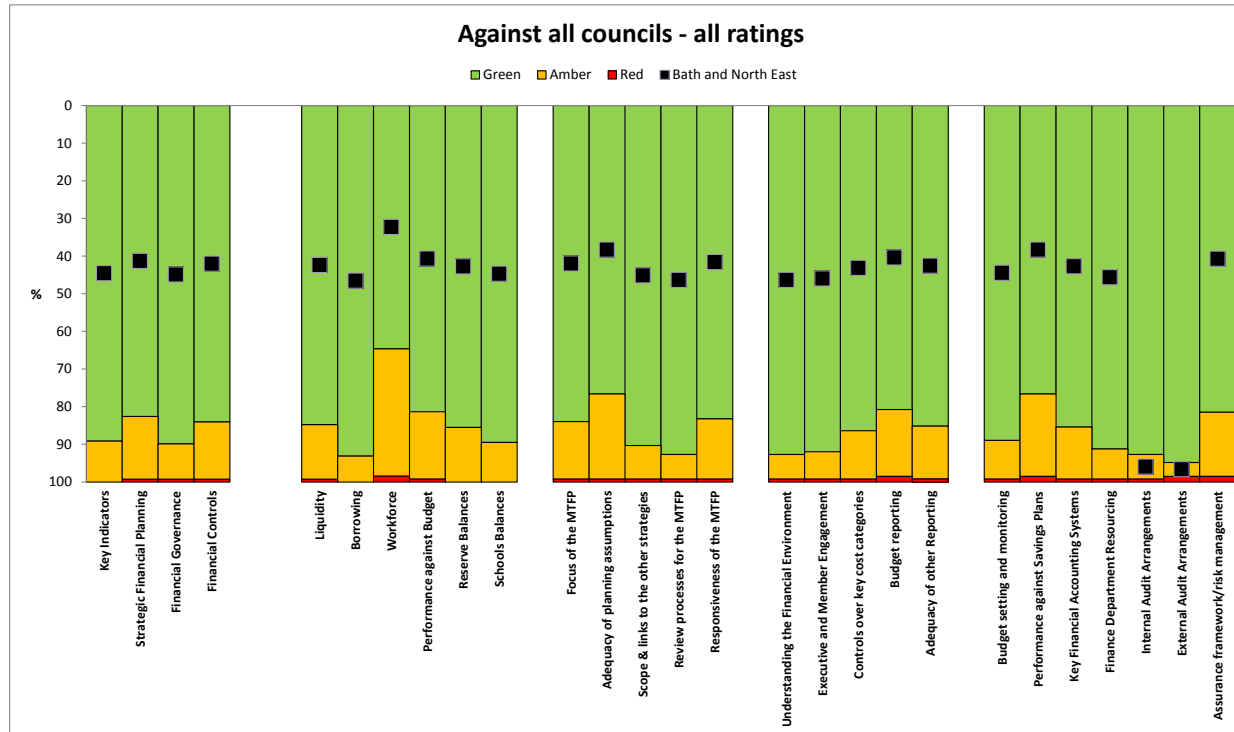
The graph below shows how the Council performs against the results for all Councils in 2012-13. Your scores are plotted as the black squares overlying the population performance: the colour that your black square lies in indicates the level you achieved.

Overall Conclusion

- All councils perform well in all areas with the weakest being the area of strategic financial planning. The Council's cumulative financial resilience performance across all four areas is rated consistently high in comparison to all other councils which shows relatively good performance.

Relative Performance

- However, the Council's performance in the categories of Internal and External audit is relatively weak. Less than 10% of councils were assessed as amber in these areas and this council falls within this category. The factors contributing to this assessment are outlined on page 4.



How do you compare?

Benchmarking against GT Somerset audit clients

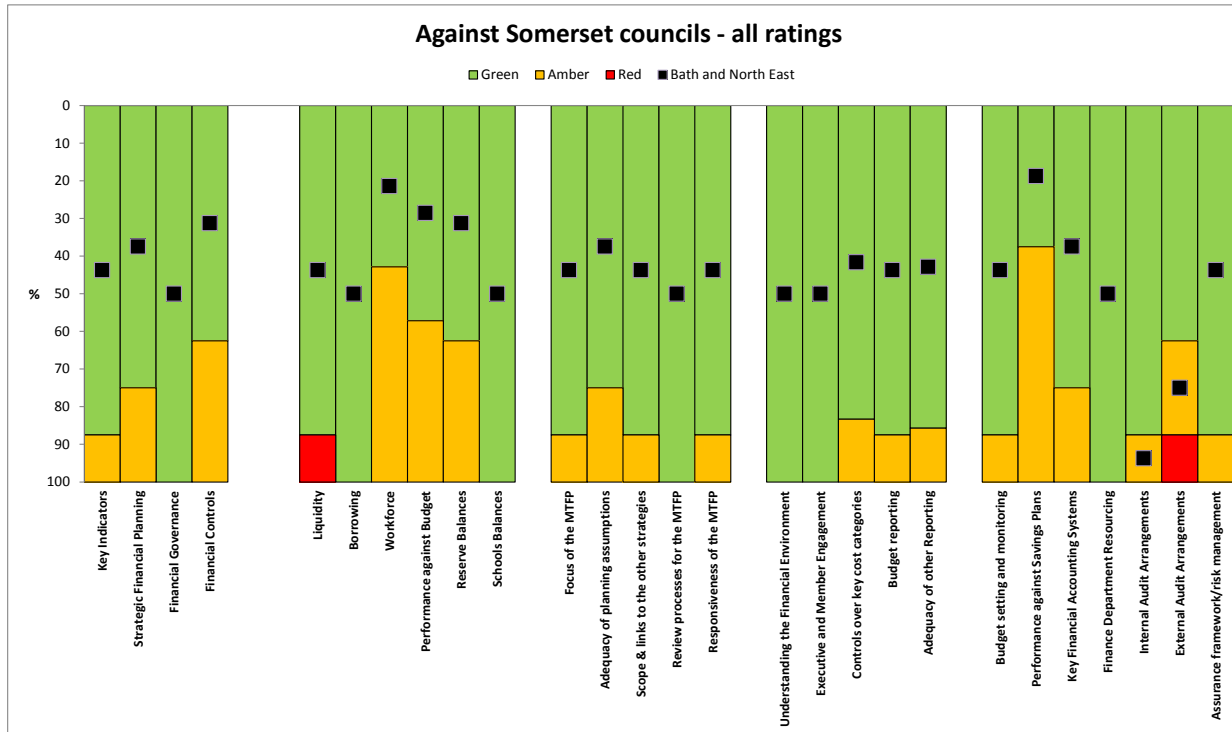
The graph below shows how you perform against the results for the Somerset councils that we audit.

You can draw the following conclusions about this new population:

- Somerset councils perform well in all areas with the weakest being the area of strategic financial planning. The Council's cumulative financial resilience performance across all four areas is rated consistently high in comparison to other councils which shows relatively good performance. The population of Somerset councils appears particularly weak in the area of financial control with significant weakness in External Audit arrangements.

You can draw the following conclusions about your performance:

- Again, the Council's performance in the categories of Internal and External audit is relatively weak in comparison with other councils. The proportion of councils that are weak in these categories is greater especially in the area of external audit arrangements in which 40% of councils are not assessed as green. This may reflect a general issue faced by Somerset councils regarding external audit arrangement e.g. not adequately responding to external audit recommendations.



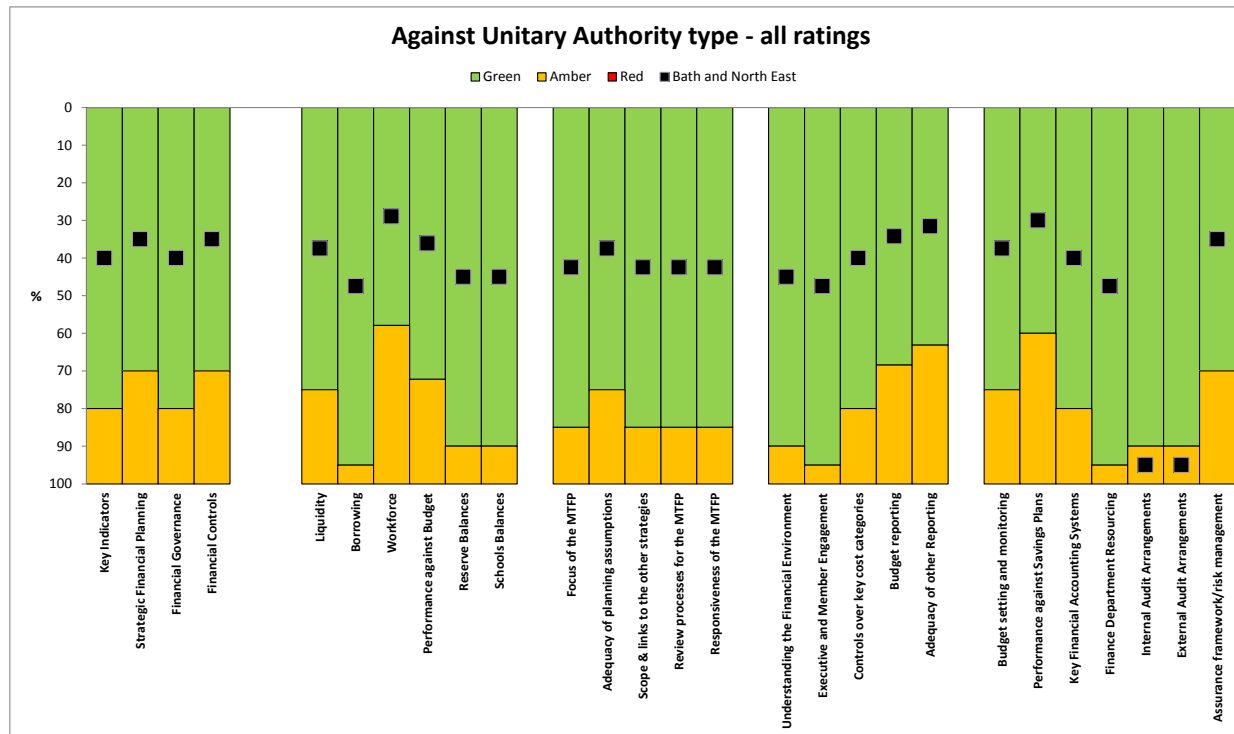
How do you compare?

Benchmarking against GT Unitary Authority audit clients

The graph below shows how you perform against the results for our Unitary Authority clients.

You can draw the following conclusions about this new population:

- Unitary authority clients perform well in all areas with the weakest being the areas of strategic financial planning and financial control. The Council's cumulative financial resilience performance across all four areas is rated consistently high in comparison to all other councils, the only exceptions being Internal and External Audit arrangements as outlined on pages 4-6.



How do you compare?

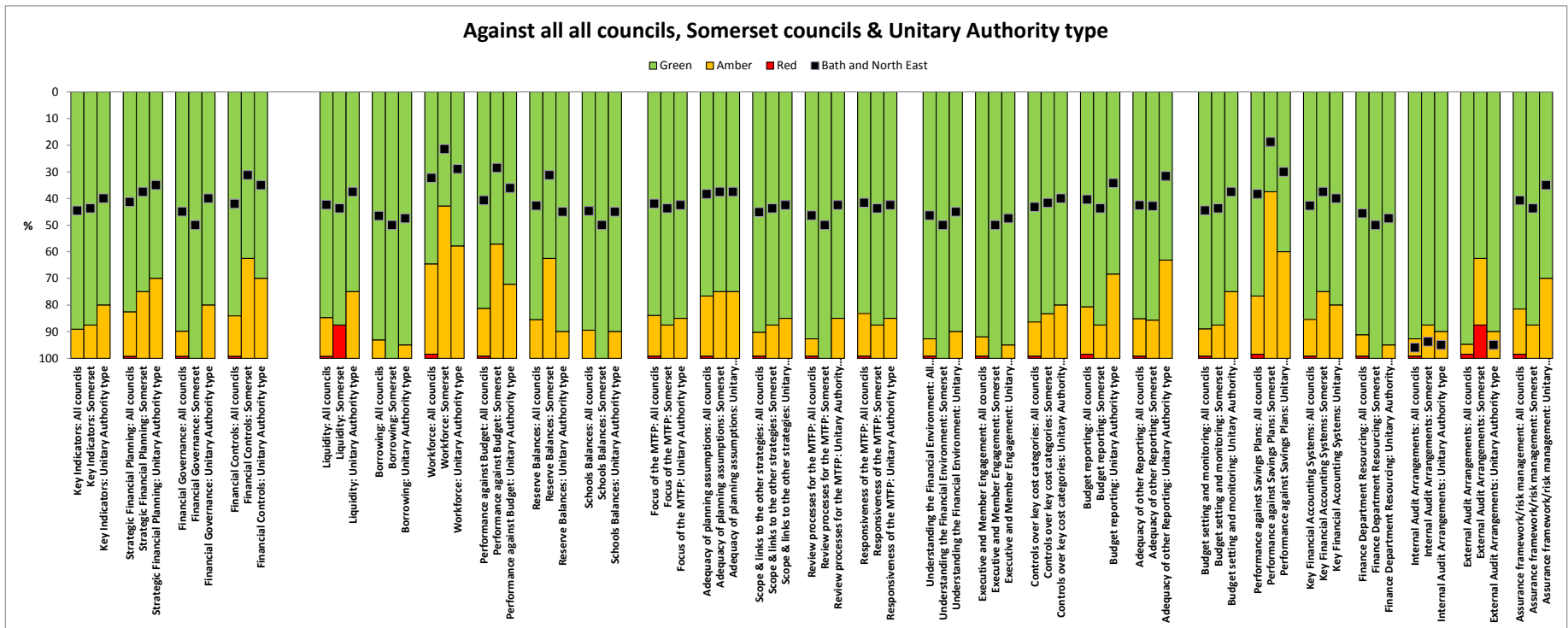
Benchmarking comparing the different client type

The graph below summarises the previous three slides in a single chart.

Overall message

This report needs to be read in the context that our financial resilience reviews fell in the second year of the four-year SR10 period, where some of the potential risks and challenges over the medium term may have yet to materialise for the Council and the wider sector.

Overall, the Council demonstrates a high level of financial resilience across all areas in line with a majority of other councils. We will once again undertake a review of financial resilience as part of our 2013/14 audit. We will specifically follow up those areas assessed as amber in 2012/13 i.e. Internal and External Audit arrangements.





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