



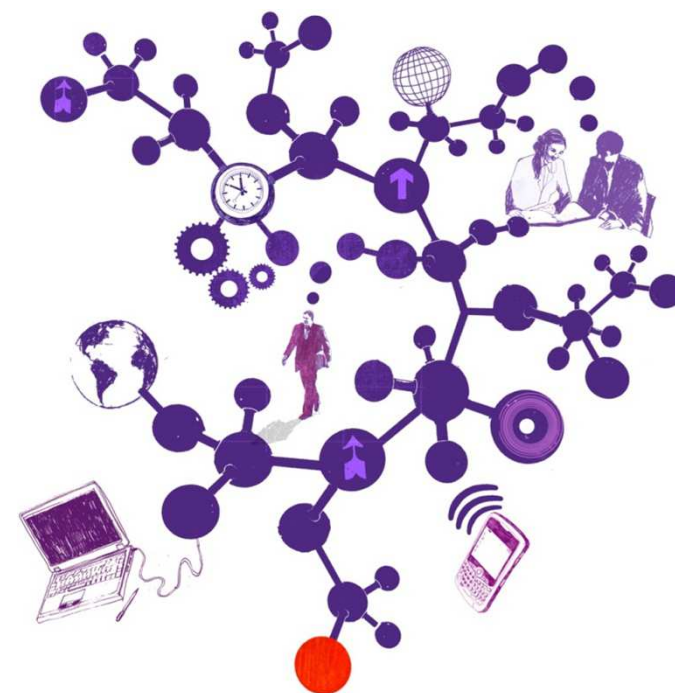
# Benchmarking your arrangements for securing Financial Resilience – South Derbyshire District Council

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# Your financial resilience history

## Value for Money conclusion

Our work supporting the Value for Money (VfM) conclusion, as part of the statutory external audit, 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 reviews is 12 months from the date of our reports to clients.

## Benchmarking for South Derbyshire District Council

This benchmarking pack should be considered alongside our national report on financial resilience in the sector "*2016 tipping point? Challenging the current*".

The benchmarking compares the Council's historical performance with the total population of over 130 Councils and also with sub-populations as follows:

- Derbyshire only;
- District Council type only.

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 Financial Resilience Ratings

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

Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	<b>Potential risks and/or weaknesses.</b> Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

# How did you perform?

## What is the picture over the last three years?

Each year since 2010-11 we have reviewed:

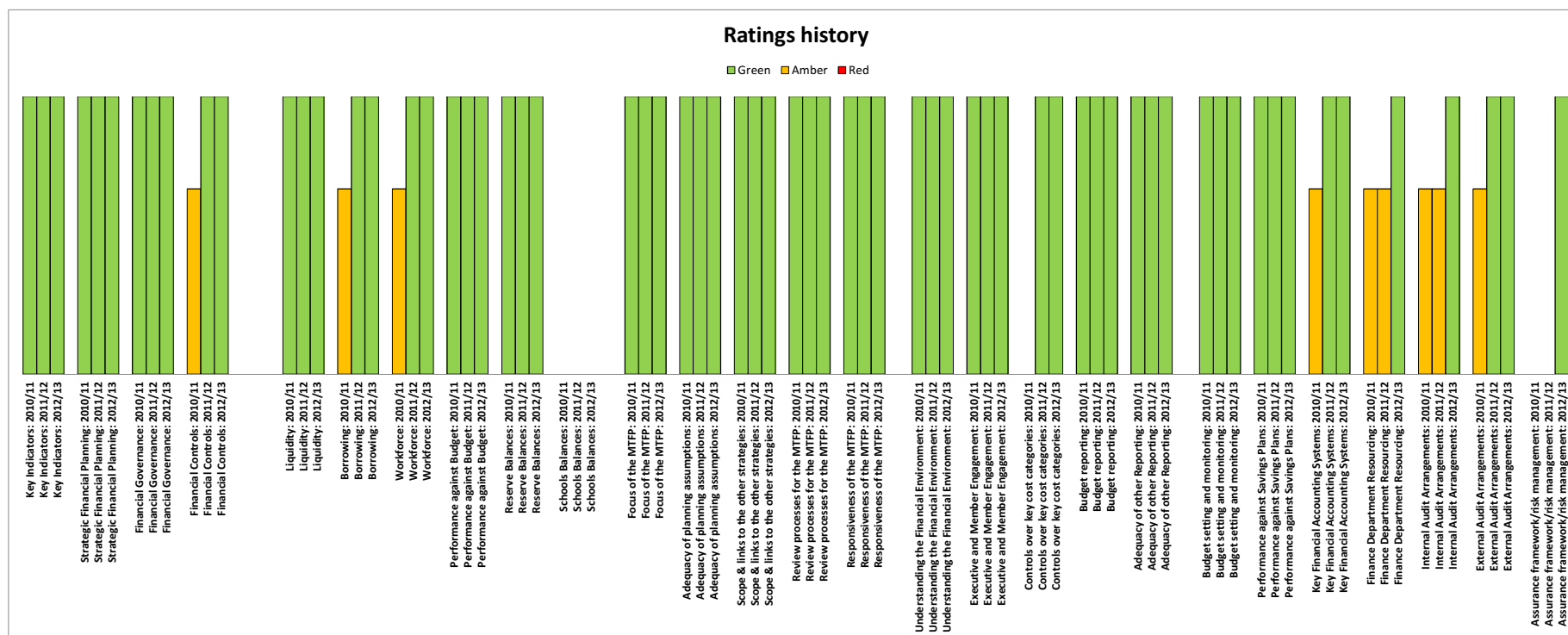
- key indicators of financial performance;
- strategic financial planning;
- financial governance; and
- financial control.

Within these thematic areas we have looked at 22 different categories and the graph below shows how your performance in these categories has changed over the past 3 years. To the left are the overall ratings for the four themes, and to the right are the 22 categories [note that the final category was new for 2012-13 and that for *Controls over key cost categories* no ratings were awarded in 2010-11].

South Derbyshire District Council has received no red ratings, and comparatively few amber ratings.

The Council started with 6 amber categories in 2010-11- *borrowings*, workforce, *key financial accounting systems*, *finance department resourcing*, *internal audit arrangements* and *external audit arrangements* resulting in an overall amber score for the *financial control* theme.

The Council has constantly improved with only two amber ratings in 2011-12- *finance department resourcing* and *internal audit arrangements* and you achieved an overall green rating in 2011-12. All your categories were green in 2012-13 and were one of only 24 Councils to achieve this result out of the 139 that were reviewed across the country. Our audit team did not identify any residual risks for 2012-13.



# How do you compare?

## Benchmarking against all Councils

The graph below shows how the Council performs against the results for all Councils since 2010-11. 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.

You can draw the following conclusions about the population:

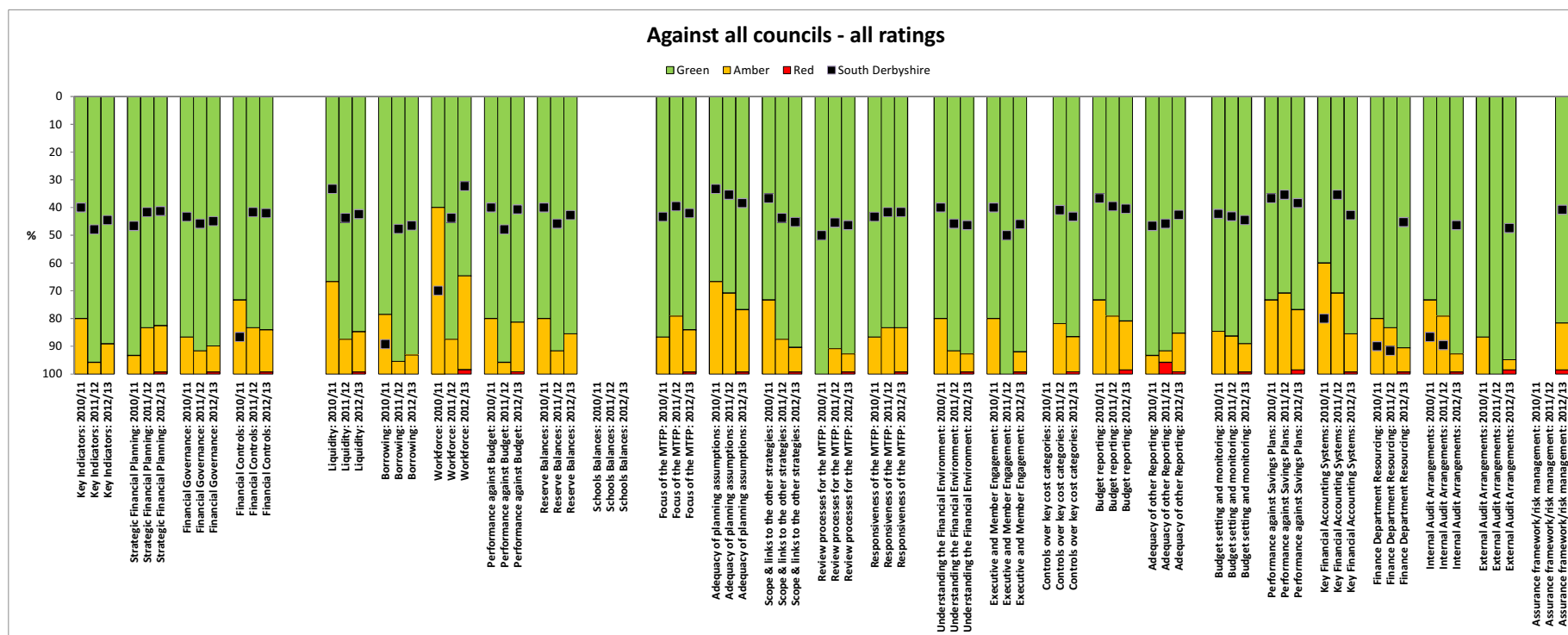
- local government's performance overall is good – in all categories in every year at least half of councils achieved green status, and most amber categories affect a third of councils or less.
- in many categories performance is improving [the green bars get longer over time].

- 20 categories and three themes have seen a small proportion of red ratings in 2012-13, which is evidence of some polarisation between the large proportion of good councils and those performing less well.

You can draw the following conclusions about your own performance

- your amber categories in 2010-11 were in areas where at least 20% of the population were amber
- by 2012-13 improvement in these areas has been made and now there are no areas where the Council is in an amber zone.

*(Note in previous reports not all areas were rated and this is highlighted in the graph where there is no rating for the Council)*



# How do you compare?

## Benchmarking against Derbyshire Councils only

The graph below shows how you perform against the results since 2010-11 for the Derbyshire Councils that we audit.

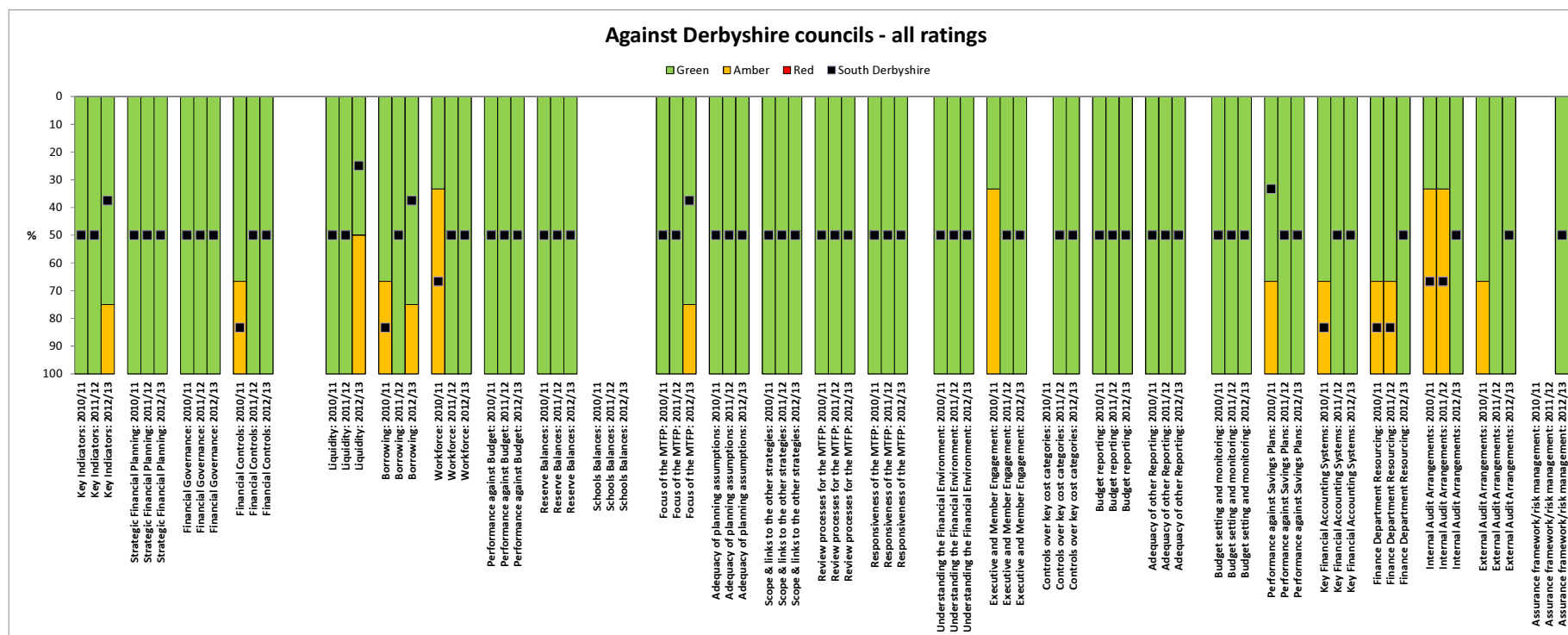
You can draw the following conclusions about this new population:

- Derbyshire Councils tended to have larger proportions of amber areas in earlier years with eight in 2010-11 compared with three in 2012-13
- There have been no red areas in Derbyshire councils and in almost every category there has been performance improvement, with the exception of liquidity and focus of the Medium Term Financial Plan for 2012-13.

You can draw the following conclusions about your performance:

- the Council is scoring a green rating in all areas in 2012-13. This shows the improvement the Council has made from 2010-11 to 2012-13.

*(Note in previous reports not all areas were rated and this is highlighted in the graph where there is no rating for the Council)*



# How do you compare?

## Benchmarking against District Council type only

The graph below shows how you perform against the results since 2010-11 for our District Council clients.

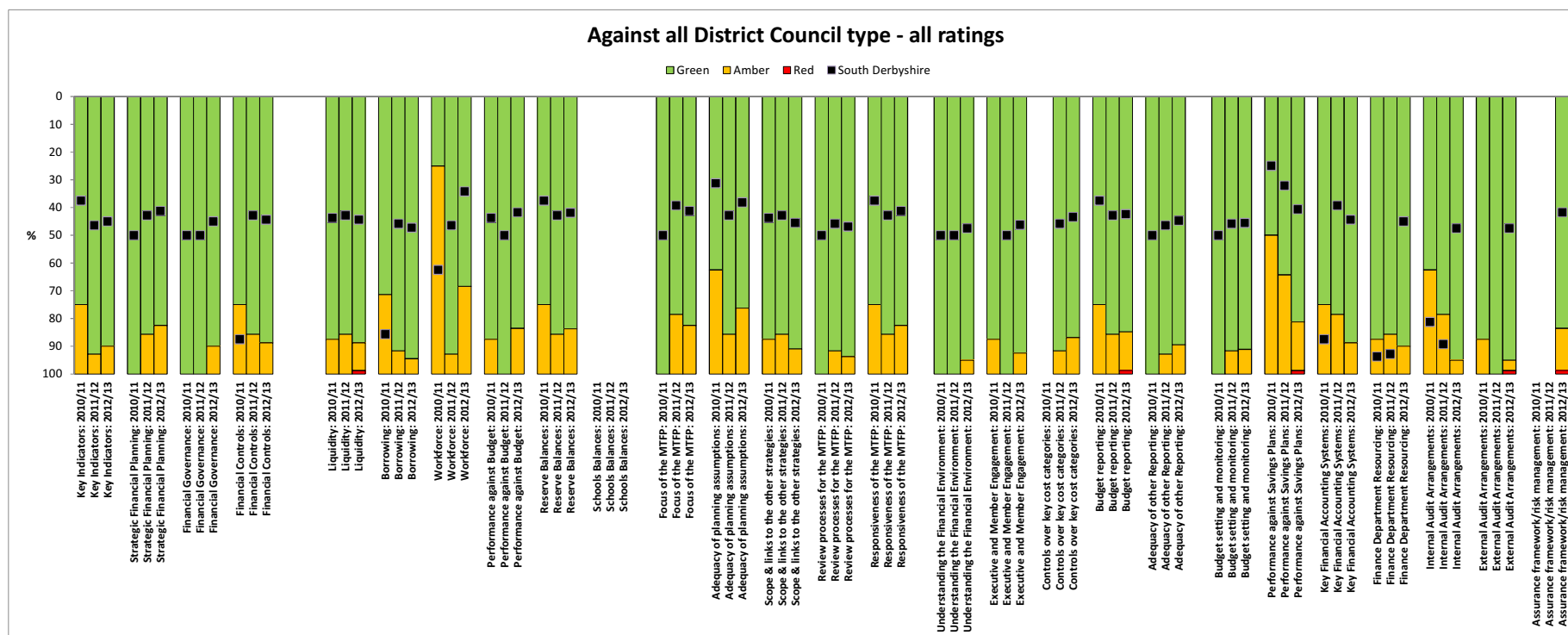
You can draw the following conclusions about this new population:

- across district councils in 2010-11 there were 15 amber areas across the population
- in 2012-13 there were five red areas compared with none in 2010/11. These are in the areas of liquidity, budget reporting, performance against savings plans, external audit arrangements and assurance framework/risk management.

You can draw the following conclusions about your performance:

- significant improvement has occurred in 2012/13 and the Council compares well against other district councils.

*(Note in previous reports not all areas were rated and this is highlighted in the graph where there is no rating for the Council)*





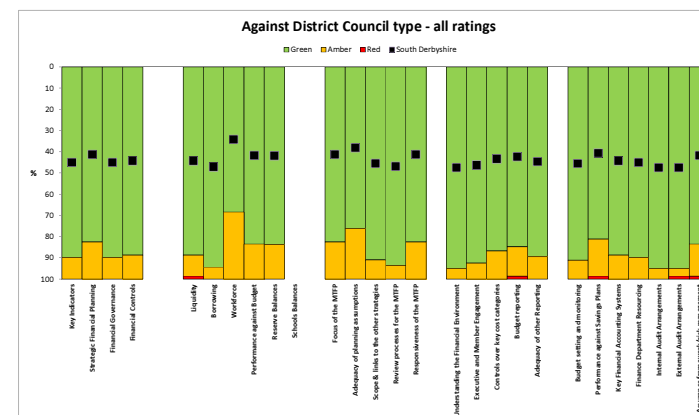
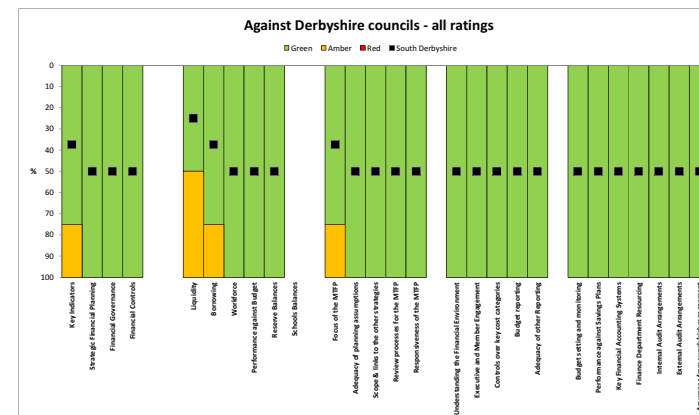
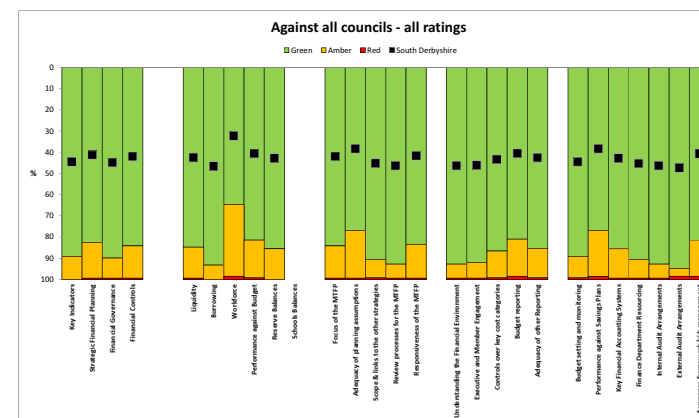
# How do you compare?

## Benchmarking the 2012-13 results

The graphs to the right – and the summary on the next slide – show how you performed in 2012-13 against the results for all Councils, for all Derbyshire Councils, and for all our District Council clients.

You can draw the following conclusions from these graphs:

- the patterns for all councils and all district councils are very similar, but districts have fewer red ratings
- Derbyshire councils performed better in general but are weaker on liquidity and borrowing which is reflected in the overall amber for Key Indicators. In your case, our auditors benchmarked you using the Audit Commission's Value for Money tools and did not identify any issues
- workforce is the single weakest category for all councils and all district councils, however across Derbyshire councils this is a green rating
- South Derbyshire District Council performed well in the following areas:
  - Performance against the budget: you had an underspend against the budget of £0.4m
  - Reserve Balances: your general fund balance has increased in 2012-13 compared to levels in prior years
  - Focus of the MTFS: the Council has taken all appropriate local and national issues into account, with a good understanding of risk and uncertainty
  - Financial Resilience: the Council has adequate arrangements for securing financial resilience. Its overall financial position is challenging with projected budget gaps in each of the years covered by the Medium Term Financial Plan (to 2017/18). The Council's arrangements mean that it is well placed to address this challenge.



# How do you compare?

## Benchmarking the 2012-13 results

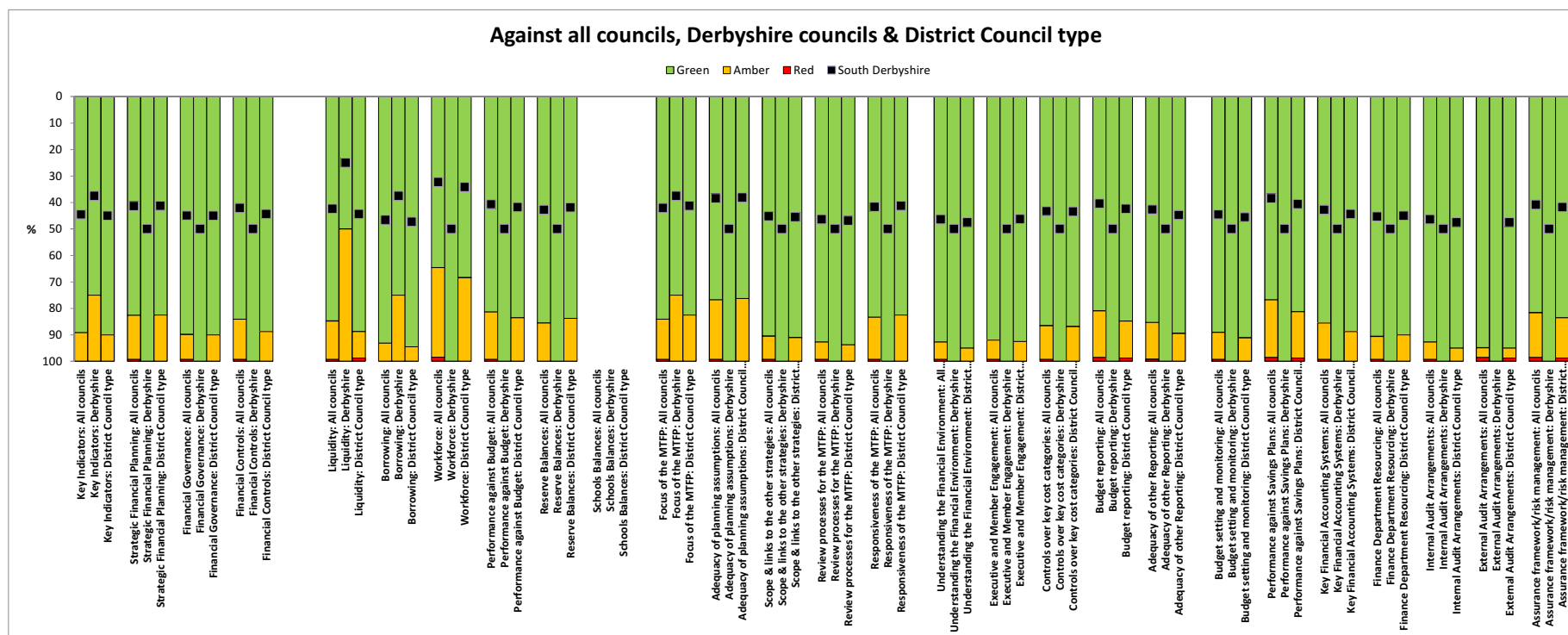
The graph below summarises the previous slide in a single chart

### Overall message

This report needs to be read in the context that the third year of our financial resilience reviews (2012-13) was 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.

The Council appears to be well positioned in comparison with the various peer groups but you continue to face some significant risks and challenges during 2013-14 and beyond

*(Note in previous reports not all areas were rated and this is highlighted in the graph where there is no rating for the Council)*





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