

Report of	Meeting	Date
Director (Finance)	Governance Committee	Wednesday, 3 August 2022

CIPFA Resilience Indicators

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

- To present to the Governance Committee the latest CIPFA Resilience Index (2020/21) compared to the previous published index (2019/20).

Recommendations to Governance Committee

- The Governance Committee is asked to note the index and the continued strong position of the Council.

Reasons for recommendations

- The index compares key financial indicators with other Local Authorities and the results are intended to provide assurance to the Governance Committee.

Other options considered and rejected

- Not applicable.

Corporate priorities

- The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	An ambitious council that does more to meet the needs of residents and the local area

Background to the report

- An online tool was released by CIPFA (Chartered Institute of Public Finance and Accountancy) in December 2019 to show the levels of financial resilience of each local authority across England.

7. The Tool is intended to help to ensure the sector is held to collective and robust standards of governance and financial management.
8. Indicators used in the Index include levels of reserves, external debt and ratios of income and expenditure.
9. These measures are intended to provide a rounded picture of an authority's resilience to financial shocks.
10. Whilst the Tool is intended to support local authorities in conducting their long term resilience assessments it is important to remember that the Index forms only one part of that judgement. Local context must also be taken into account when forming an overall picture of resilience.
11. The index is based upon statistical returns submitted by Local Authorities and it should be recognised that data quality / consistency will be an issue as different organisations will undoubtedly have different approaches.
12. The index is valid however in making overall comparisons and comparing trends between years.
13. CIPFA have now released the 2020/21 index; this is analysed in the report and compared against the 2019/20 data.

The Indicators

14. The 8 indicators applicable to District Councils are as follows;

INDICATOR	DEFINITION
Reserves Sustainability Measure	Ratio between the current level of reserves and the average change in reserves in each of the past 3 years. <i>A negative value (which implies reserves have increased) or one greater than 100, have been recoded to 100).</i> <i>(A higher figure indicates stronger resilience)</i>
Level of Reserves	Ratio of current level of reserves to the council's net revenue expenditure. <i>(A higher figure indicates stronger resilience)</i>
Change in Reserves	Average % change in Reserves over the past 3 years <i>(A higher, positive figure indicates stronger resilience)</i>
Interest Payable / Net Revenue Expenditure	Ratio of Interest Payable to Net Revenue Expenditure <i>(A lower figure indicates stronger resilience)</i>

Gross External Debt	Compares gross external debt held by a council
Fees and Charges to Service Expenditure Ratio	Proportion of fees and charges against the council's total service expenditure <i>(Measures dependency on fees and charges and also how effective the council has been in generating income in this way)</i>
Council Tax Requirement/Net Revenue Expenditure	Ratio of council tax as a proportion of net expenditure <i>(Measures dependency on Council Tax and how effective the council has been in moving away from dependency on grants and funding from central government)</i>
Growth Above Baseline	Difference between the baseline funding level and retained business rates income, over the baseline funding level
ADDITIONAL INDICATOR	
Auditors VfM Assessment	This was published for 2019/20; however is not included in the 2020/21 index

Chorley Performance

15. The indicators are available for all authorities in the country and can be selected individually or by reference to;
- Upper Tier or Lower Tier and then by,
 - County Councils/ London Boroughs/ Metropolitan Districts/ Non-Metropolitan Districts/ Unitaries OR Nearest Neighbour
16. For the purposes of comparison, Chorley has been compared to their "Nearest Neighbours". The CIPFA Nearest Neighbour Model adopts a scientific approach to measuring the similarity between authorities taking into account a range of economic, social and physical characteristics.
17. The Nearest Neighbour Grouping has been revised in the 2020/21 index and is now as follows;

<i>Amber Valley</i>	<i>Braintree</i>	<i>Broxtowe</i>
<i>Chorley</i>	<i>East Northamptonshire</i>	<i>Erewash</i>
<i>Gedling</i>	<i>High Peak</i>	<i>+Hinckley & Bosworth</i>
<i>Kettering</i>	<i>Lichfield</i>	<i>Newark & Sherwood</i>
<i>Rossendale</i>	<i>South Derbyshire</i>	<i>South Kesteven</i>
<i>South Ribble</i>	<i>+Stafford</i>	<i>Stroud</i>

18. The indicators are outlined in the attached charts; with comparison to the 2019/20 position.
19. It should be noted that on some graphs the scale has changed between the two years.

Conclusion

20. There has not been a significant shift in either the scale of the Council’s indicators, or their position in the “rankings” of the comparator Group.
21. The indicators continue to highlight the Council is in a strong position.
22. The indicators highlight that despite recent ambitious investment, Chorley is by no means an “outlier” in terms of debt / interest payable. Further, the indicators highlight that the Council generates healthy levels of fees and charges as a result of this investment.

Climate change and air quality

23. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

24. Not applicable

Risk

25. The analysis provides assurance that the Council is in a strong financial position and resilient to financial risks.

Comments of the Statutory Finance Officer

26. There are no direct financial implications arising from this report.
27. The report presents the financial standing of the council based on the figures included in the 2020/21 statutory returns for Chorley in comparison to a group of councils who CIPFA deem, based on similarities across a range of economic, social and physical characteristics, to be the best comparator group.

Comments of the Monitoring Officer

6. There are no legal implications arising from the report.

Background documents

There are no background papers to this report.

Appendices

Appendix A – Comparison of Resilience Indices

Report Author:	Email:	Telephone:	Date:
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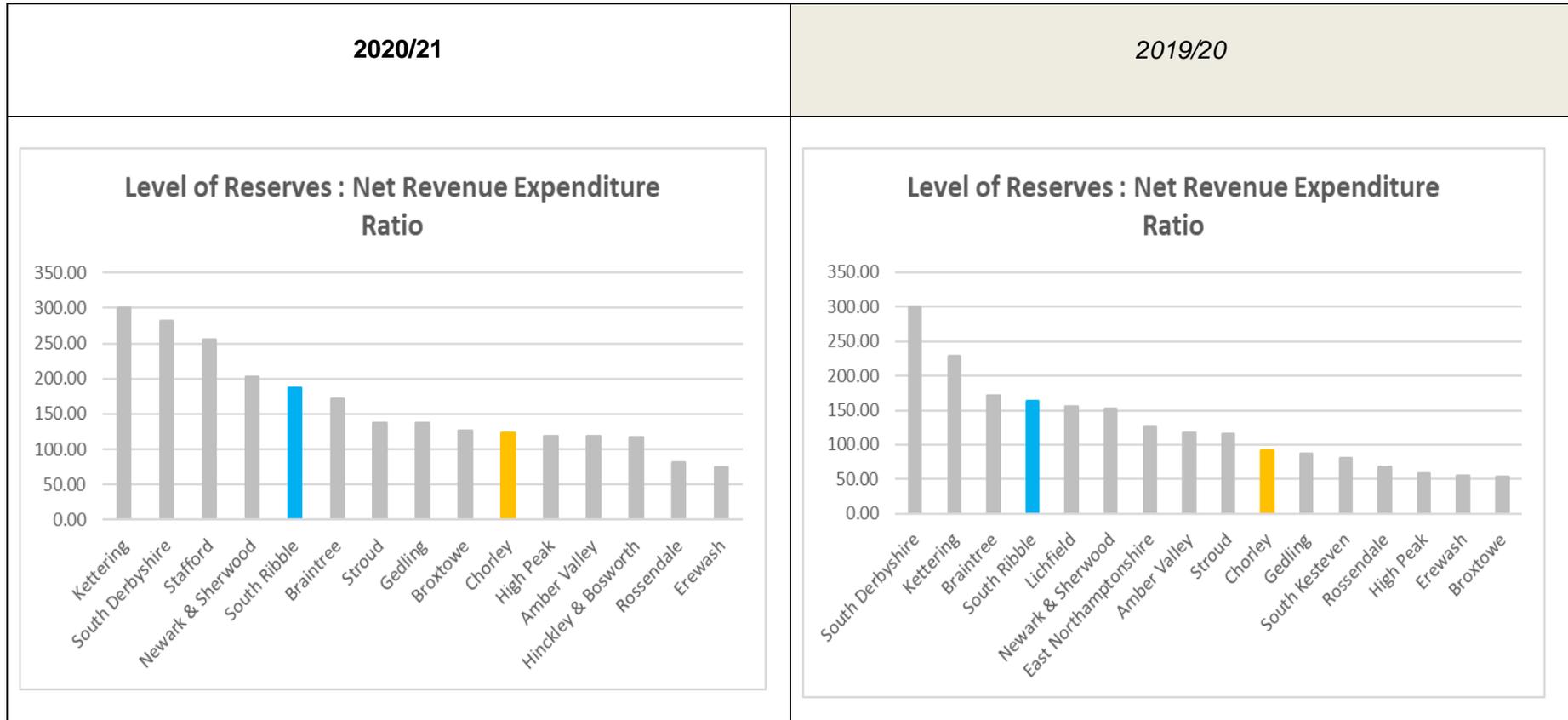
Steve Kenyon (Deputy Director of Finance)	steve.kenyon@chorley.gov.uk	01257 515151	4 th July 2022
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1. Reserves Sustainability Measure



Highlights a strong level of reserves (maximum level on chart), with growth over the last 3 years for the Council. It should be noted that some growth will be due to Covid-19 funding unspent / carried forward.

2. Level of Reserves

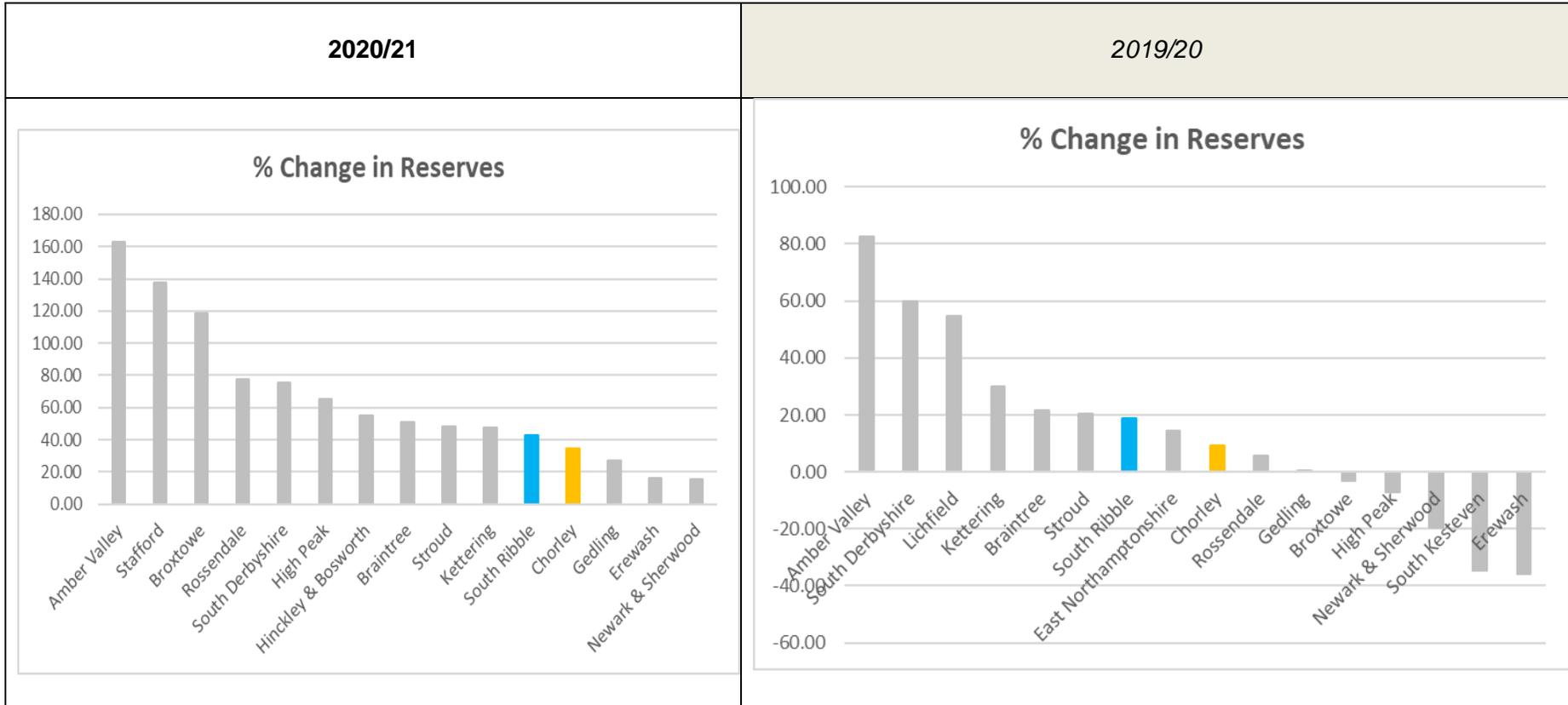


Overall rankings are broadly similar between the two years. The charts highlight the Council has increased their reserves since 2019/20; primarily as a result of Covid Funding carried forward.

Of the 180 districts, against this indicator Chorley holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 96.5% of it's annual Net Revenue, ranking them the 139th highest accordingly.

In comparison to the 12 Districts in Lancashire, Chorley had the 10th highest level of reserves compared to net revenue.

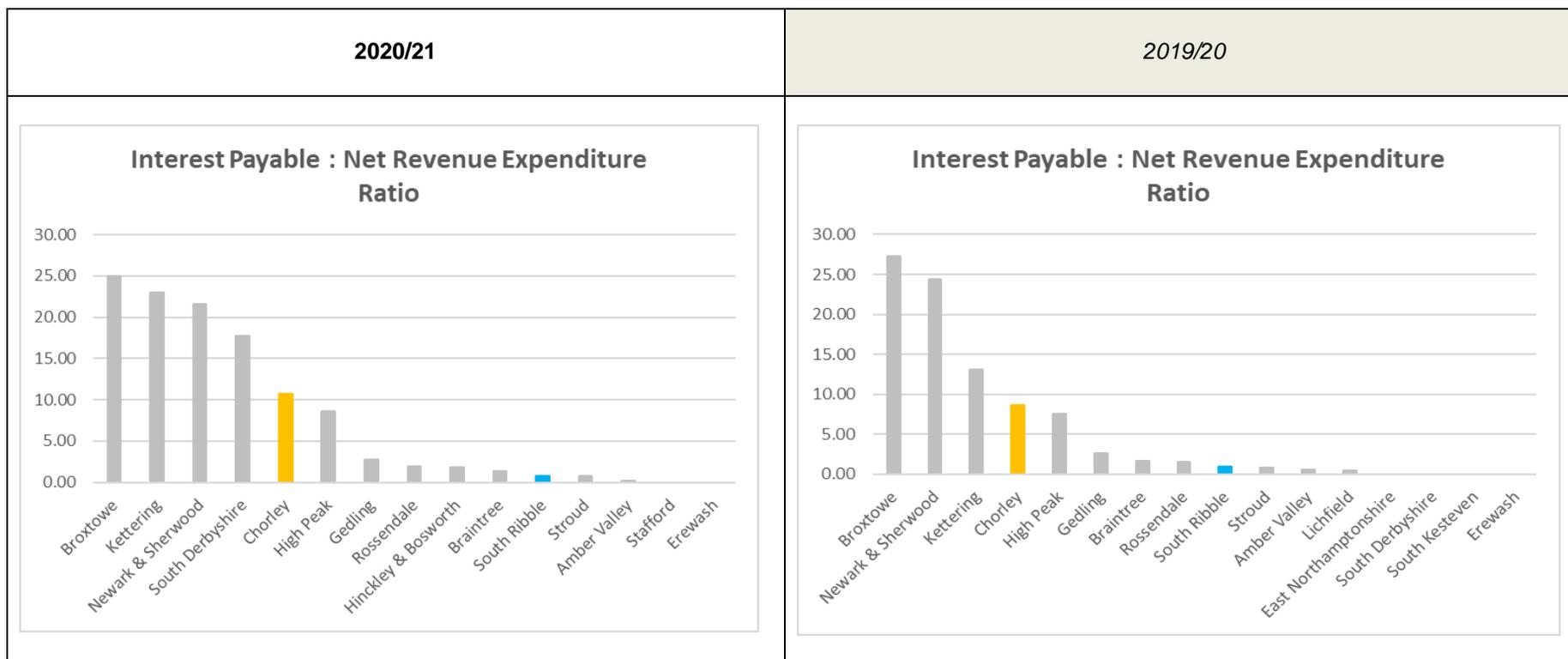
3. Change in Reserves



Along with the rest of the Group, the Council displays increased growth in reserves over the last 3 years.

Again, some of this growth will be due to unspent Covid-19 funding at the end of 2020/21.

4. Interest Payable/Net Revenue Expenditure

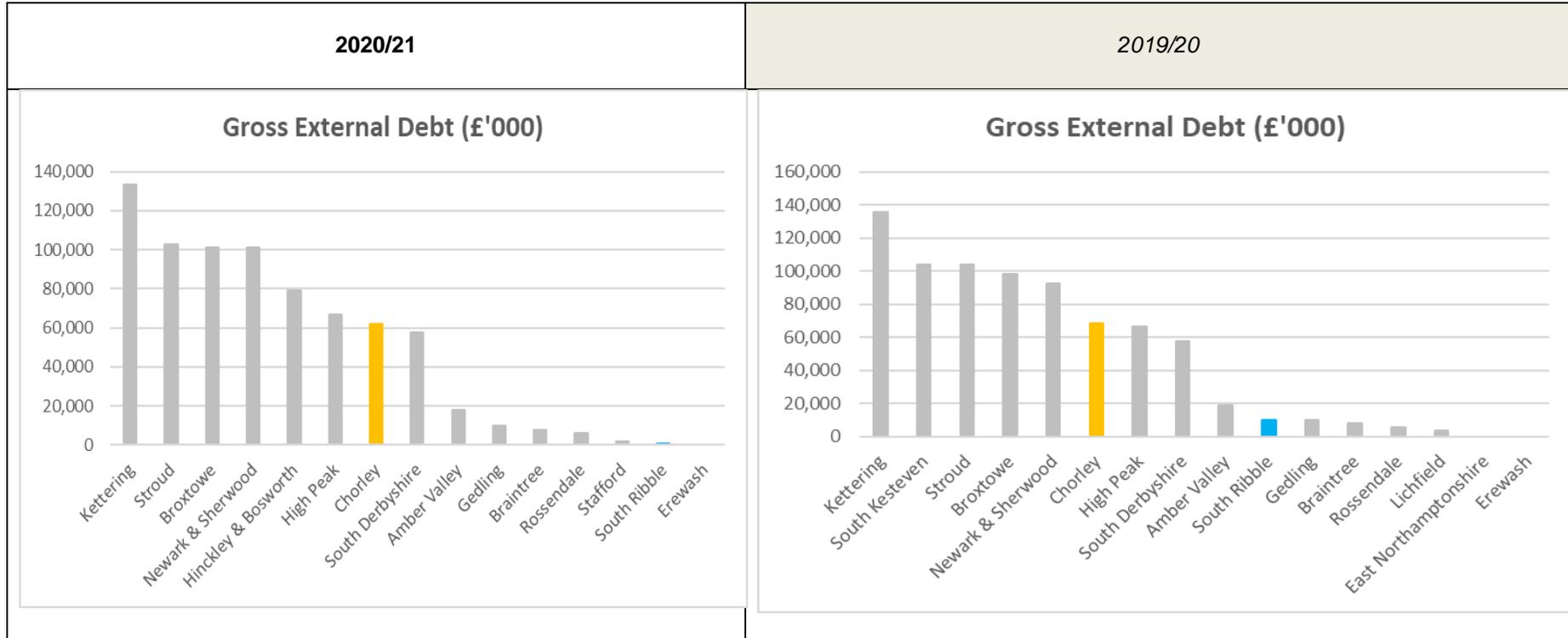


A high level of interest payable compared to Net Revenue Expenditure would be indicative of high levels of borrowing and/or loans taken out at high rates of interest. Overall rankings are broadly similar between the two years.

Chorley continue to feature quite highly in the group, but by no means an “outlier”; this is indicative of recent capital projects e.g. Logistics House, Market Walk, Strawberry Fields; all of which generate significant revenue income streams for the Council.

Considering the level of Interest Payable as a % of Net Revenue (i.e. as a measure of indebtedness), Chorley was 8.37% of net revenue, ranking them 132nd lowest level of interest payable as a % of Net Revenue across all 180 District councils. In comparison to the 12 Districts in Lancashire, Chorley had the 10th lowest level of interest payable compared to net revenue.

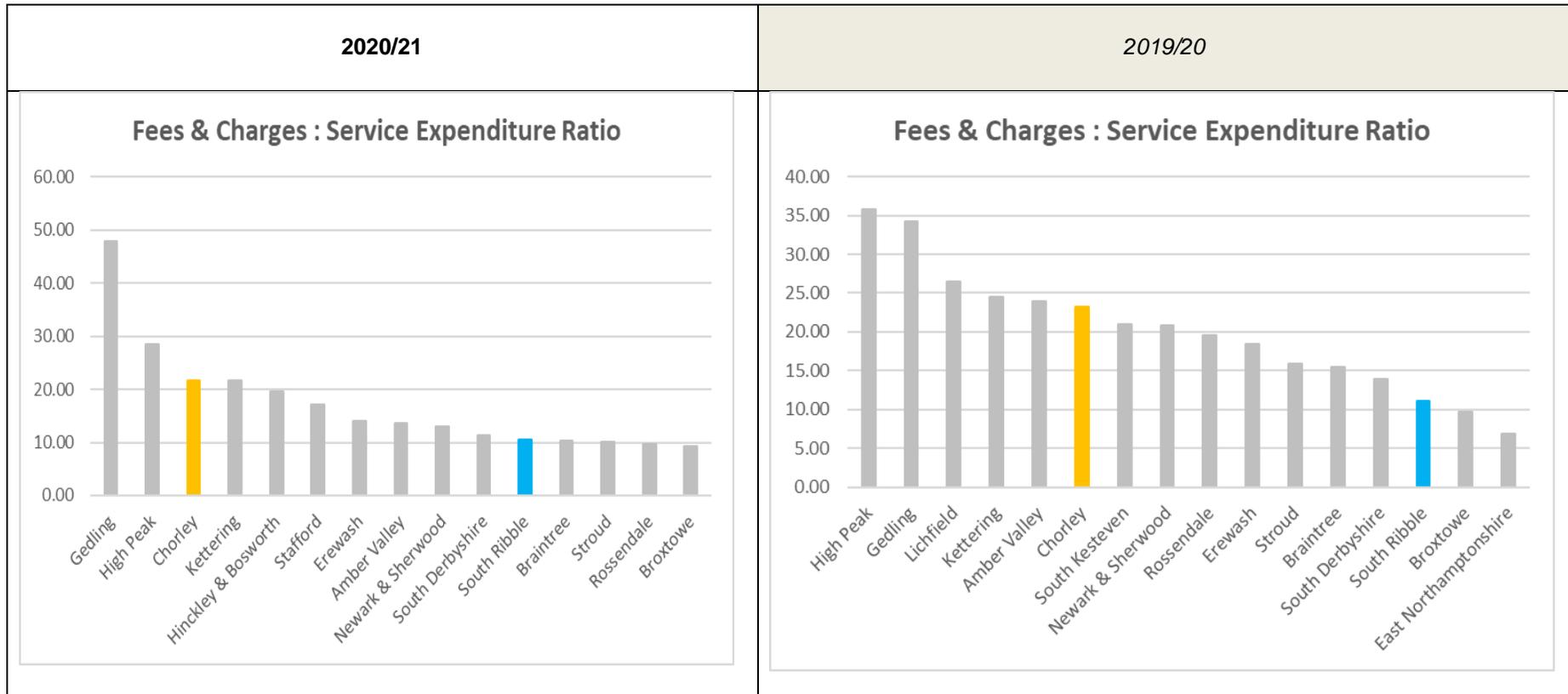
5. Gross External Debt



Once again, overall rankings are broadly unchanged between the two years.

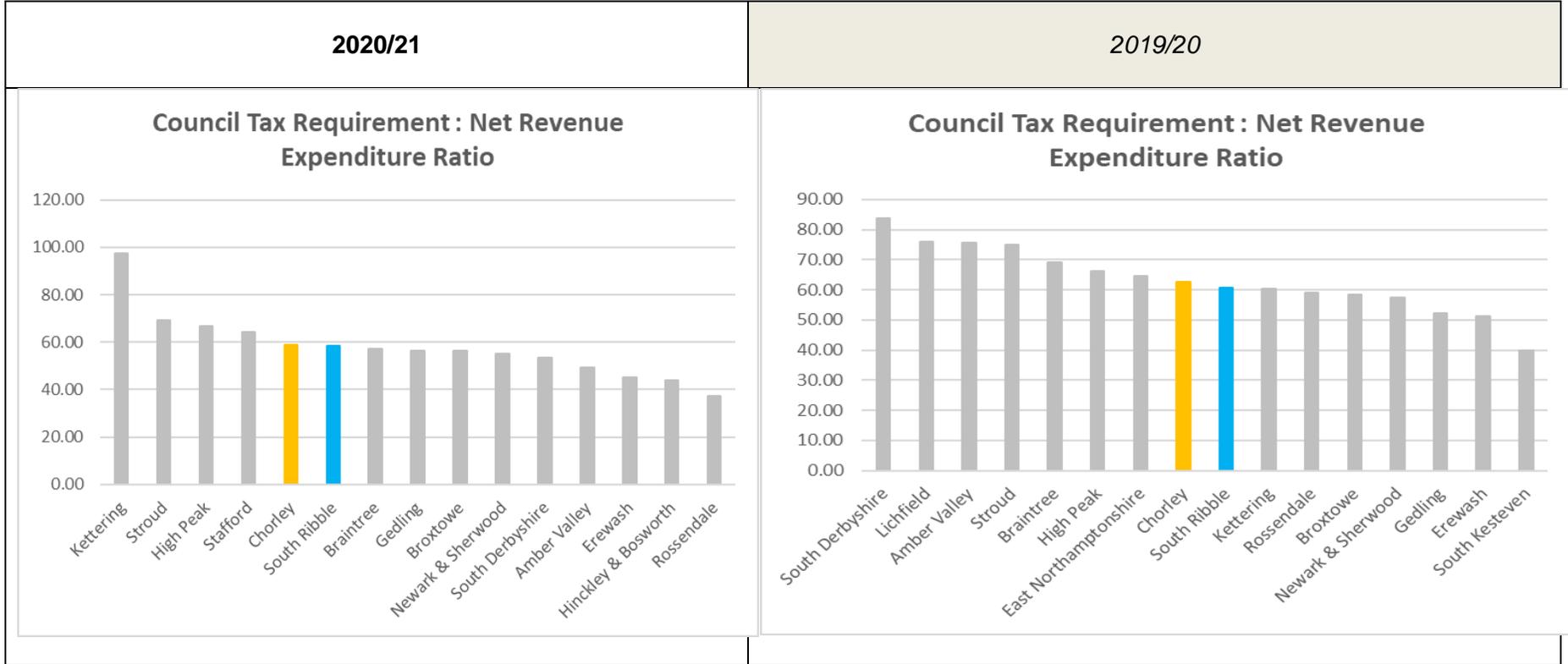
Despite embarking upon a number of large schemes (Logistics House, Market Walk, Strawberry Fields), Chorley's debt is not out of step with the rest of the comparator group – suggesting most Councils are undertaking regeneration / income generation / invest to save capital schemes.

6. Fees and Charges to Service Expenditure Ratio



Chorley continues to demonstrate strong performance in terms of the Fees & Charges it generates; this is indicative of the capital investment undertaken by Chorley, and the rental income it generates.

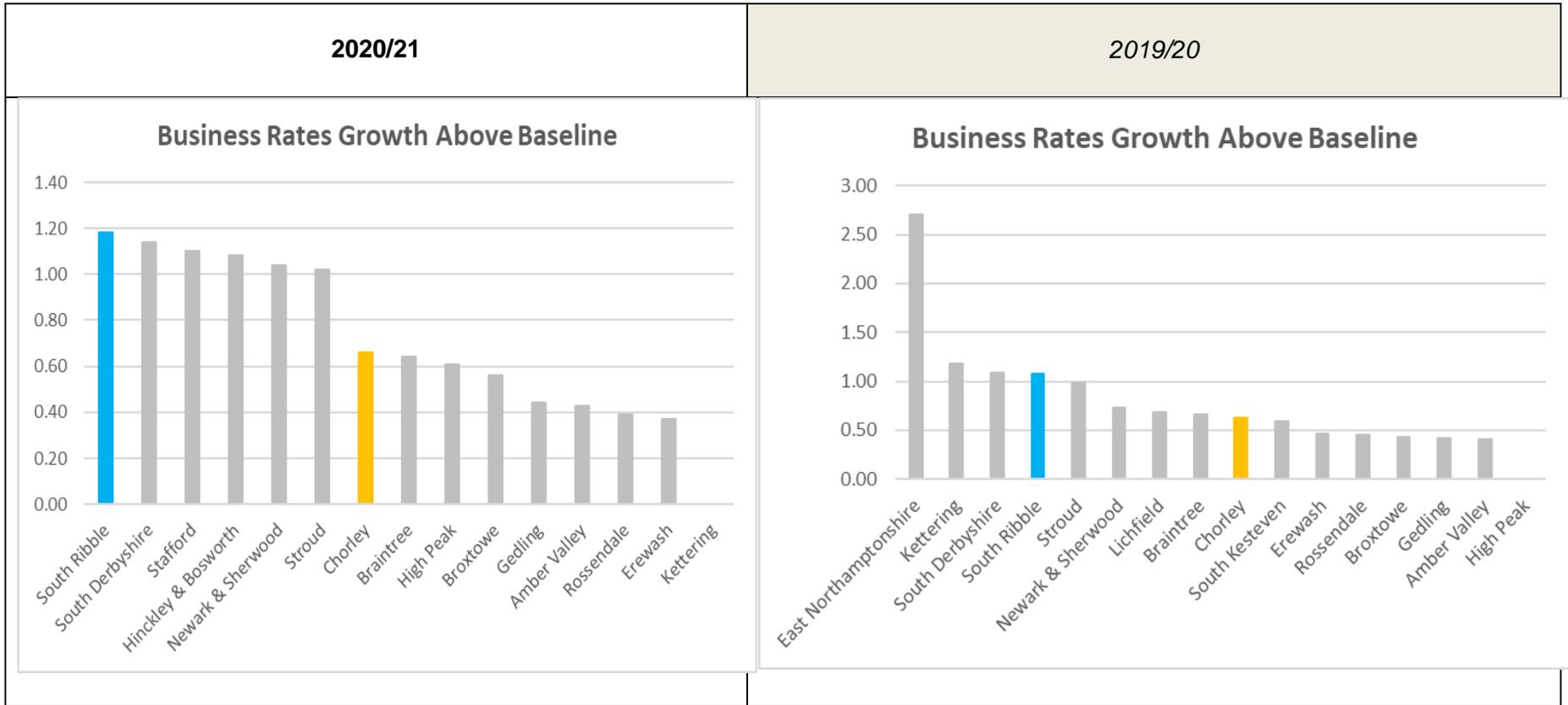
7. Council Tax Requirement/Net Revenue Expenditure



The graph above shows the level of Net Revenue Expenditure funded by Council Tax; the lower the percentage, the higher the dependency on government funding.

The Council has fallen back slightly in percentage terms since 2019/20, however now shows a stronger ranking in the Group.

8. Growth Above Baseline



The Council continues to show healthy growth with levels increased compared to 2019/20.