

Report of	Meeting	Date
Director (Finance)	Governance Committee	Wednesday, 24 May 2023

CIPFA Resilience Index

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	No
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Purpose of the Report

- To present to the Governance Committee the latest CIPFA Resilience Index (2021/22) compared to the previous published indices.

Recommendations

- The Governance Committee are 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

6. An online index 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 index 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 index is intended to support Local Authorities in conducting their long term resilience assessments it is important to remember that it 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 to completing these.
12. The index is valid however in making overall comparisons and comparing trends between years.
13. CIPFA have now released the 2021/22 index; this is analysed in the report and compared against data from previous years.

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</i>

	<i>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

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 this comparison, Chorley has been compared to their "Nearest Neighbours". The CIPFA Nearest Neighbour Model adopts a scientific approach to measure the similarity between authorities taking into account a range of economic, social and physical characteristics.
17. The Nearest Neighbour Grouping has been revised by CIPFA in the 2021/22 index and is now as follows;

Amber Valley

Braintree

Broxtowe

Charnwood (new for 2021/22)

Chorley

Erewash

Gedling

High Peak

Hinckley & Bosworth

Newark & Sherwood

Rossendale

South Derbyshire

South Kesteven (new for 2021/22)

South Ribble

Stroud

Kettering and ***Stafford*** were in the grouping for 2020/21, however have been removed for 2021/22

18. The indicators are outlined in the attached charts; compared with previous years.
19. It should be noted that on some graphs the scale has changed between 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 Council's 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.

26. Members should note however that there are significant financial challenges ahead in terms of pay & price inflation, customer demand and potential changes to the funding / business rates mechanism for Local Authorities.

Comments of the Statutory Finance Officer

27. There are no direct financial implications arising from this report.
28. The report presents the financial standing of the council based on the figures included in the 2021/22 statutory returns for Chorley in comparison to a group of councils who CIPFA deem to be the best comparator group based on similarities across a range of economic, social and physical characteristics.

Comments of the Monitoring Officer

29. No further comments in addition to above.

Background documents

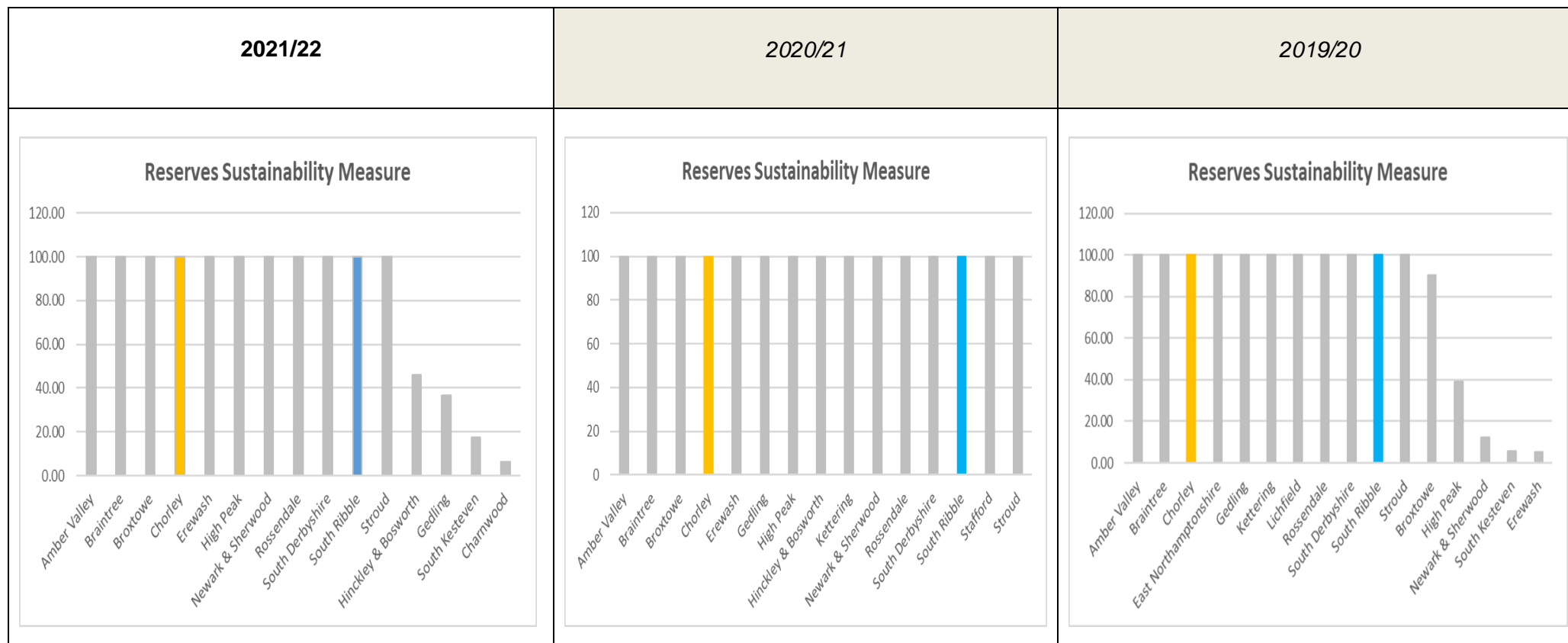
There are no background papers to this report.

Appendices

Appendix A – Comparison of Resilience Indices

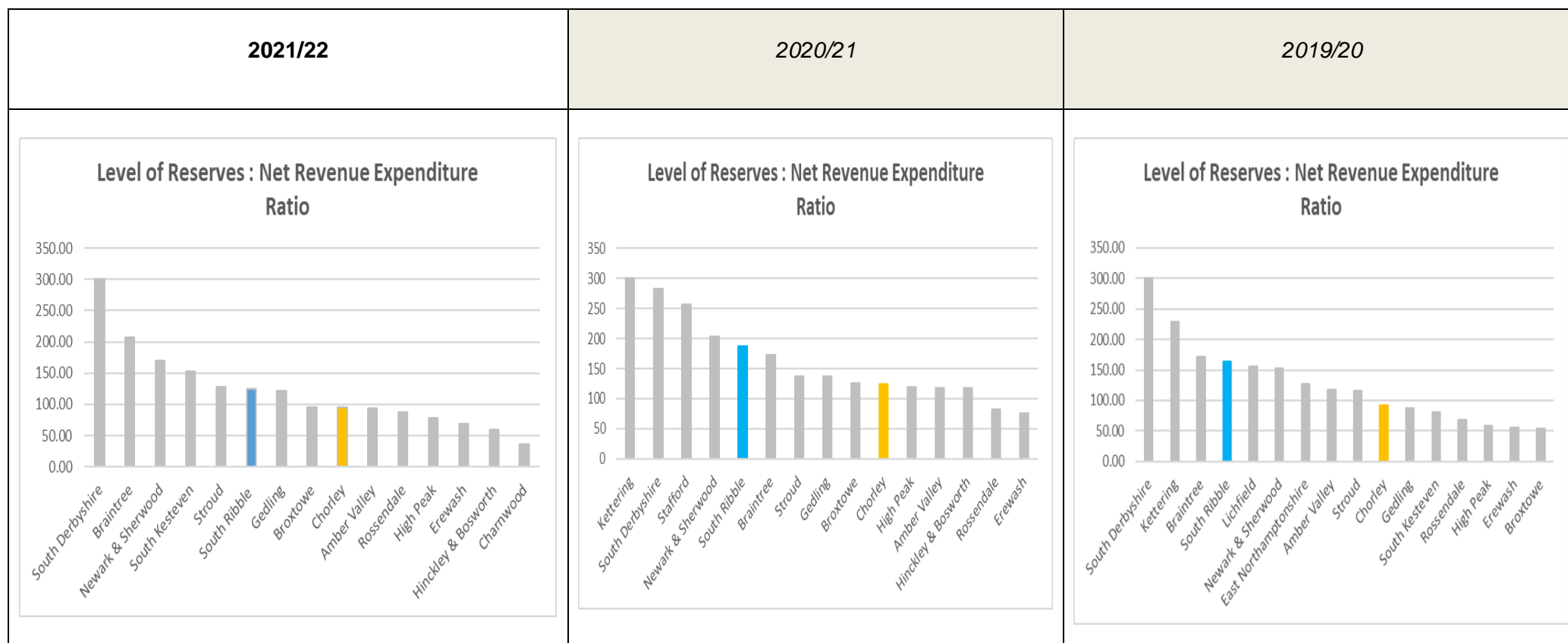
Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Interim Deputy Director of Finance)	steve.kenyon@chorley.gov.uk	01257 515151	26 th April 2023

1. Reserves Sustainability Measure



The charts highlight a continuing strong level of reserves (maximum level on chart), with growth over the last 3 years for the Council.

2. Level of Reserves

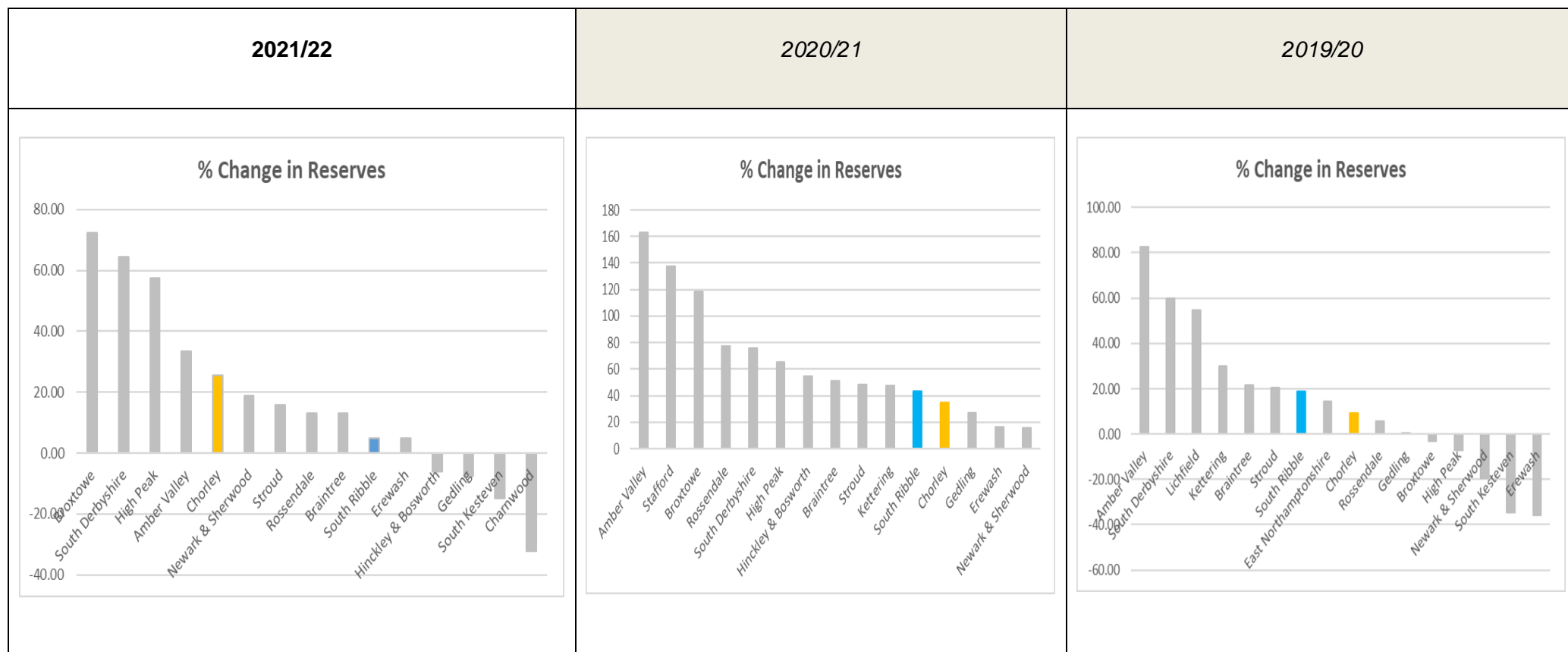


Overall rankings are broadly similar between the two years. The levels within the charts highlight reserves peaked in 2020/21 as a result of Covid Funding carried forward from 2019/20; this has subsequently been spent in line with Grant conditions.

Of the 180 districts, against this indicator Chorley holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 94.86% of it's annual Net Revenue, ranking them the 149th highest accordingly.

In comparison to the 12 Districts in Lancashire, Chorley had the 7th highest level of reserves compared to net revenue.

3. Change in Reserves

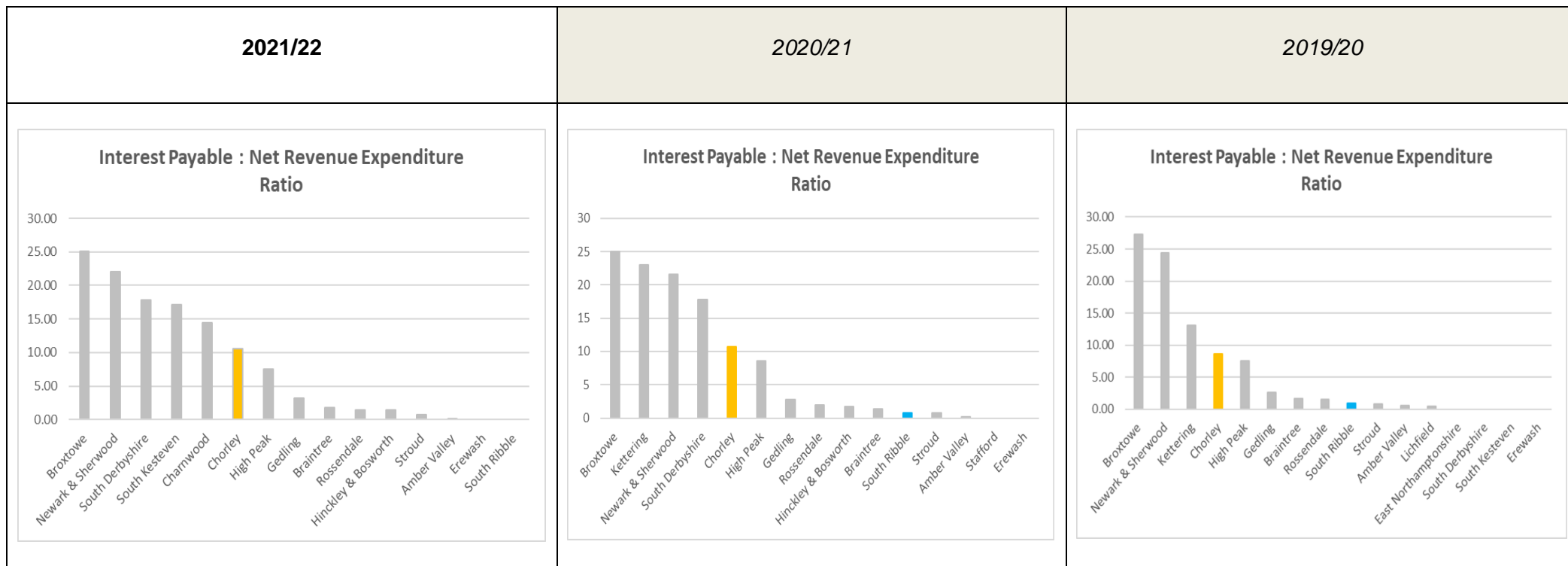


The chart highlights that the Council has consistently grown its level of reserves, whereas other Authorities in the group has seen their reserves decline.

The increase for 2020/21 is due to unspent Covid Funding carried forward.

The increase in 2021/22 is a result of money being set aside at year end to fund investment projects in 2022/23 e.g. IT infrastructure and the Green Agenda.

4. Interest Payable/Net Revenue Expenditure

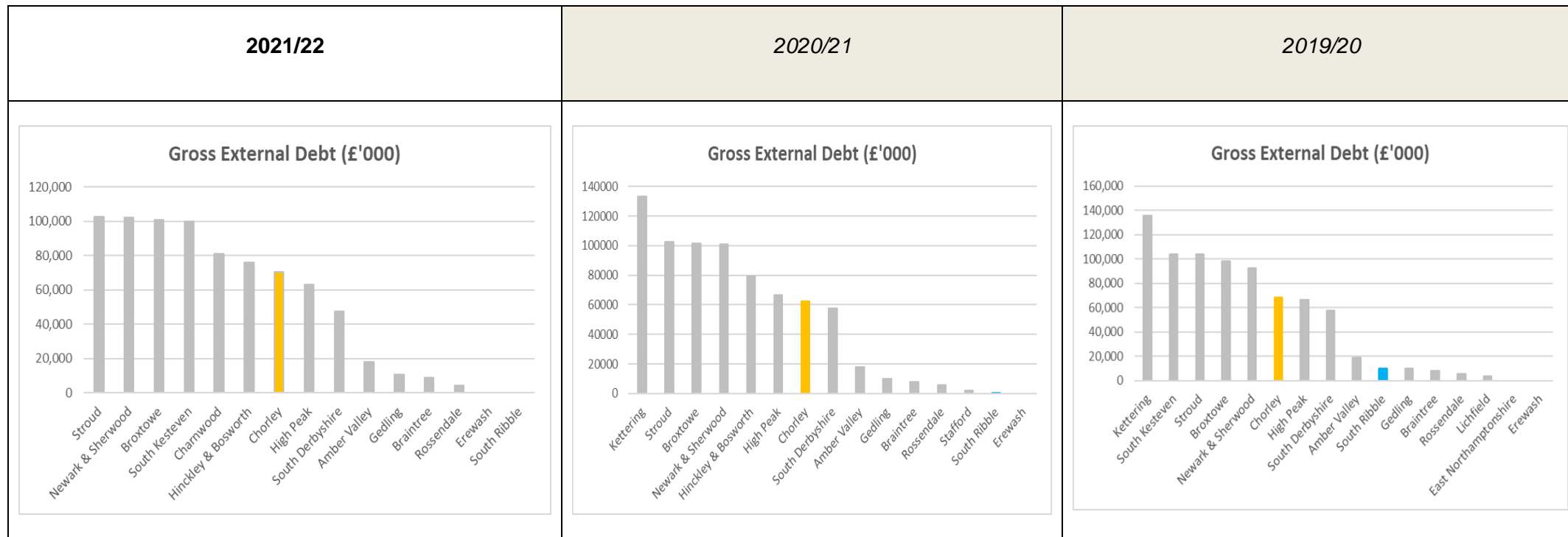


A high level of interest payable compared to Net Revenue Expenditure would be indicative of high levels of borrowing and/or loans taken out at high rates of interest. Overall rankings are broadly similar over the period.

Chorley continue to feature quite highly in the group, however an increasing number year on year have higher levels of debt. The level of debt 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 10.52% of net revenue, ranking them 58th highest level across all 180 District councils. In comparison to the 12 Districts in Lancashire, Chorley had the 2nd highest level of interest payable compared to net revenue.

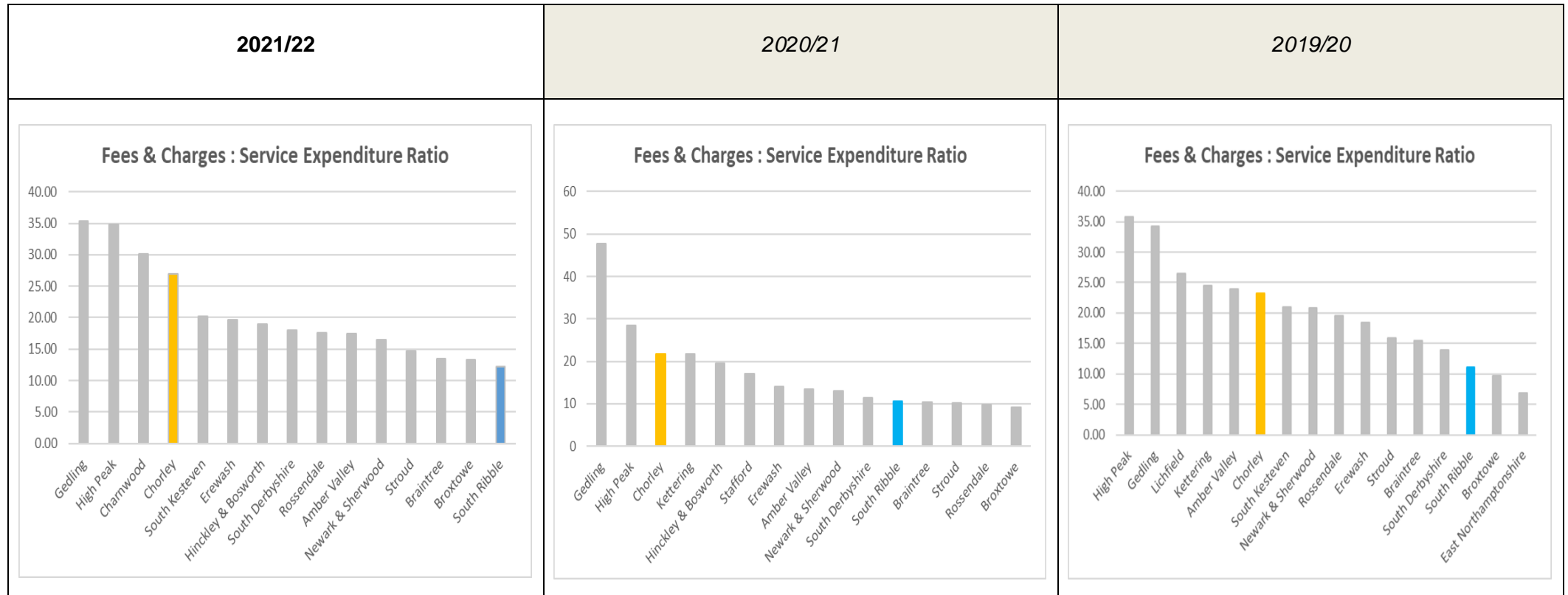
5. Gross External Debt



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

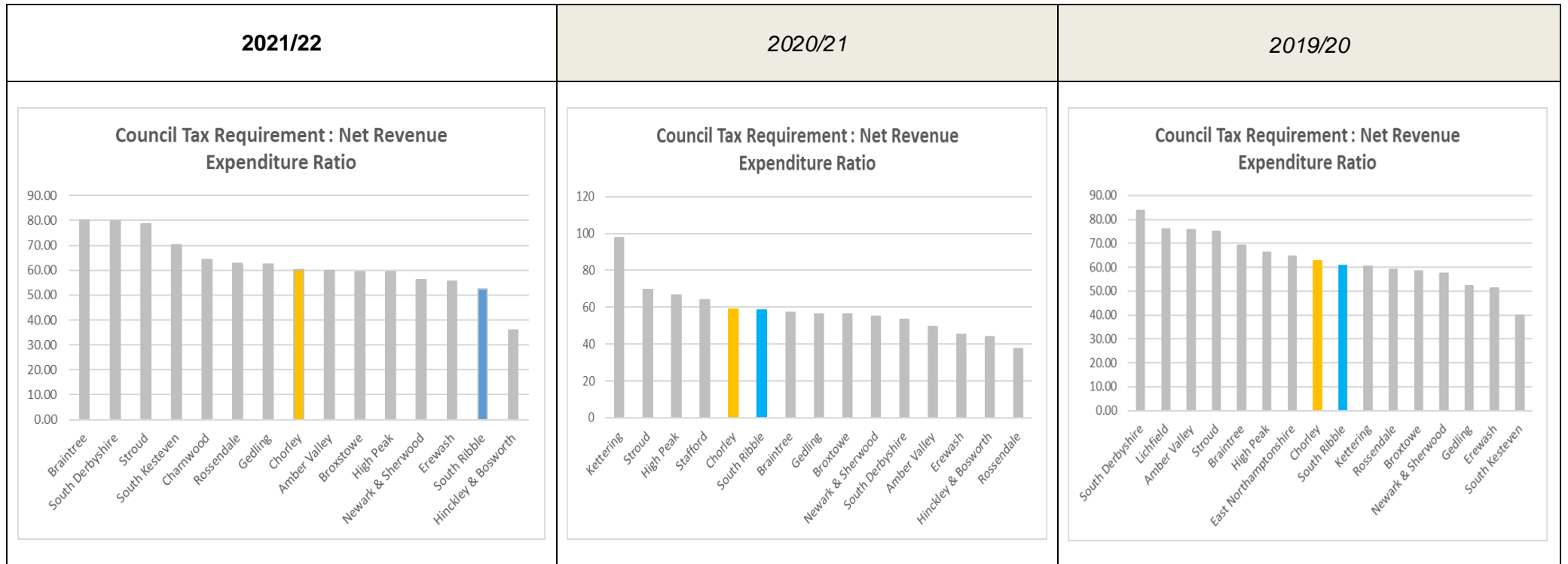
Despite embarking upon a number of large schemes (Logistics House, Market Walk, Strawberry Fields), Chorley's debt is not out of step with the rest of the comparator group – suggesting most Councils are undertaking regeneration / income generation / invest to save capital schemes.

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 data is not a comparison of the absolute levels of Council Tax, rather it relates to the overall Council Tax yield (i.e property numbers x Council tax rates)

The Council has fallen back slightly in the rankings, however displays a slightly increased percentage, highlighting a continuing strong Council Tax Base.

8. Growth Above Baseline



The Council continues to show healthy growth with levels increased compared to previous years, and an improving performance within the Group.

