

Report of	Meeting	Date
Director (Finance)	Governance Committee	Wednesday, 22 May 2024

## CIPFA Resilience Index

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 (2022/23) compared to the previous published indices.

### Recommendations

- The Governance Committee are asked to note the Council's performance within the suite of performance indicators that form the CIPFA Resilience Index for 2022/23.

### 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:

<b>Housing where residents can live well</b>	<b>A green and sustainable borough</b>
<b>An enterprising economy with vibrant local centres in urban and rural areas</b>	<b>Healthy, safe and engaged communities</b>

## 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 shock.
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 may 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 2022/23 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 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  <i>(These are finite numbers referencing the level of debt taken out)</i>
Fees and Charges to Service Expenditure Ratio	Proportion of fees and charges compared 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, as a percentage of 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;
- a. Upper Tier or Lower Tier authorities and then by, County Councils/ London Boroughs/ Metropolitan Districts/ Non-Metropolitan Districts/ Unitaries
- OR
- b. Those authorities deemed to be 'nearest Neighbours'
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 2022/23 index and is now as follows;

Amber Valley  
Braintree  
Chorley  
Erewash  
Gedling  
High Peak

Hinckley & Bosworth  
Lichfield (new for 2022/23)  
Mendip (new for 2022/23)  
Newark & Sherwood  
North Hertfordshire (new for 2022/23)  
South Kesteven  
South Ribble  
Stafford (new for 2022/23)  
Stroud

Broxtowe, Charnwood, Rossendale and South Derbyshire councils were in the grouping for 2021/22, however they have been removed in 2022/23.

18. The indicators are outlined in the attached charts, including comparisons 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 highlight that at 31<sup>st</sup> March 2023, despite ambitious investment, Chorley is by no means an "outlier" in terms of debt / interest payable. Furthermore, the indicators highlight that the Council generates healthy levels of fees and charges as a result of this investment.

## **Climate change and air quality**

22. 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**

23. Not applicable.

## **Risk**

24. The analysis provides assurance that the Council is in a good financial position and is resilient to financial risks.
25. Members should note however that there are significant financial challenges ahead given the uncertainty of one year settlements, which provide no opportunity for longer term planning, potential changes to the funding and business rates mechanism for Local Authorities, irrespective of any change in government, and in terms of interest rates and pay and price inflation.

### **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 2022/23 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**

28. No further comments in addition to above.

### **Background documents**

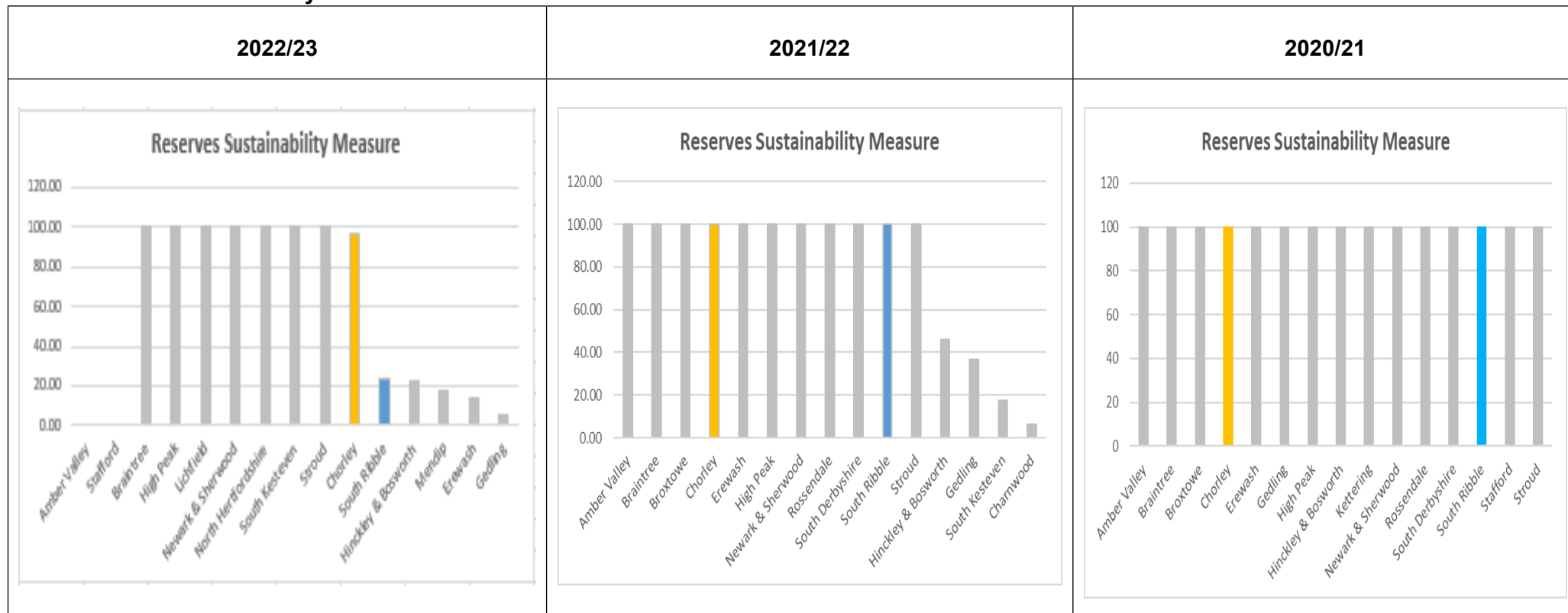
There are no background papers to this report

### **Appendices**

Appendix A – Comparison of Resilience Indices

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1. Reserves Sustainability Measure



The charts show a slight reduction in this Performance Indicator as there has been an average reduction in the level of reserves over the last 3 years, following a period of growth, as shown in the graphs for 2021/22 and 2020/21 over the applicable three-year period.

The reserves held by the council at the 31<sup>st</sup> March (excluding Covid Business Rate Relief Reserves), which form the basis of the calculation were as follows;

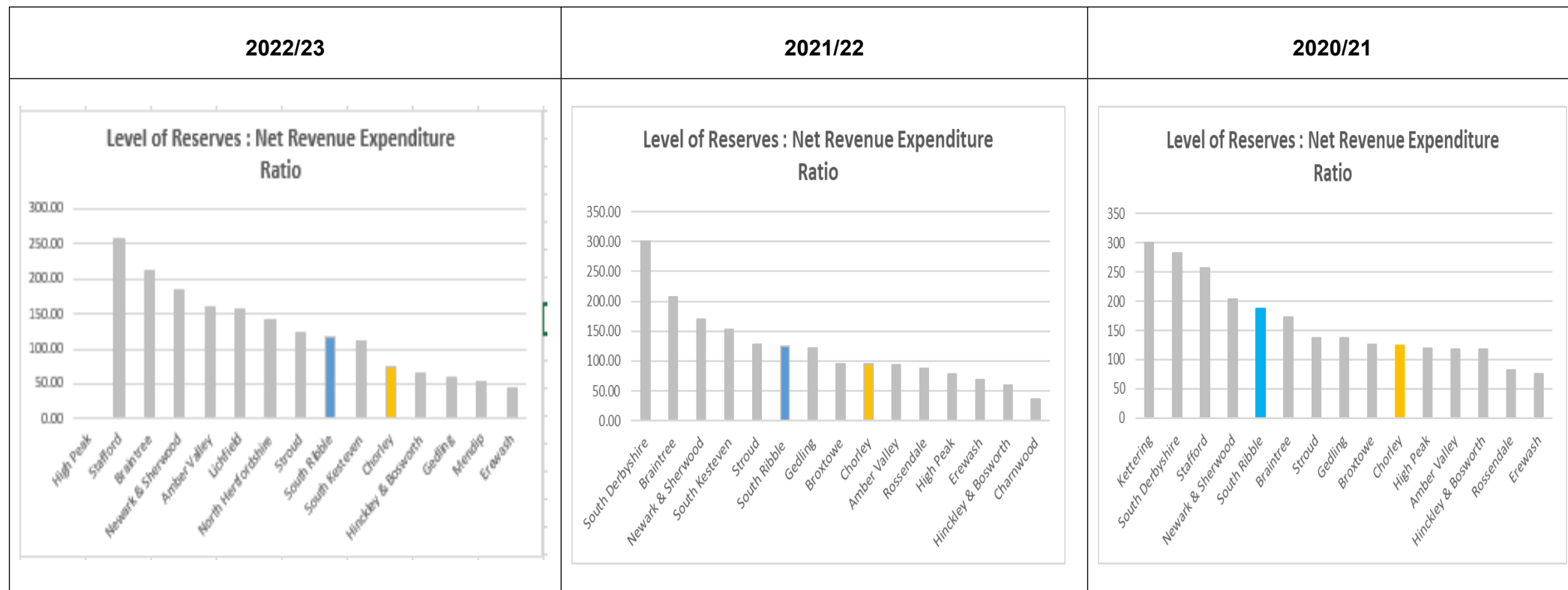
31<sup>st</sup> March 2023 - £11.104m

31<sup>st</sup> March 2022 - £12.635m

31<sup>st</sup> March 2021 - £12.065m

31<sup>st</sup> March 2020 - £11.450m

## 2. Level of Reserves



As the level of reserves (excluding Covid Business Rate Relief Reserves) has reduced, as noted in the Reserves Sustainability Indicator above, so too has percentage level of reserves compared to the net revenue expenditure of the council.

2022/23 = 74.30%

2021/22 = 94.86%

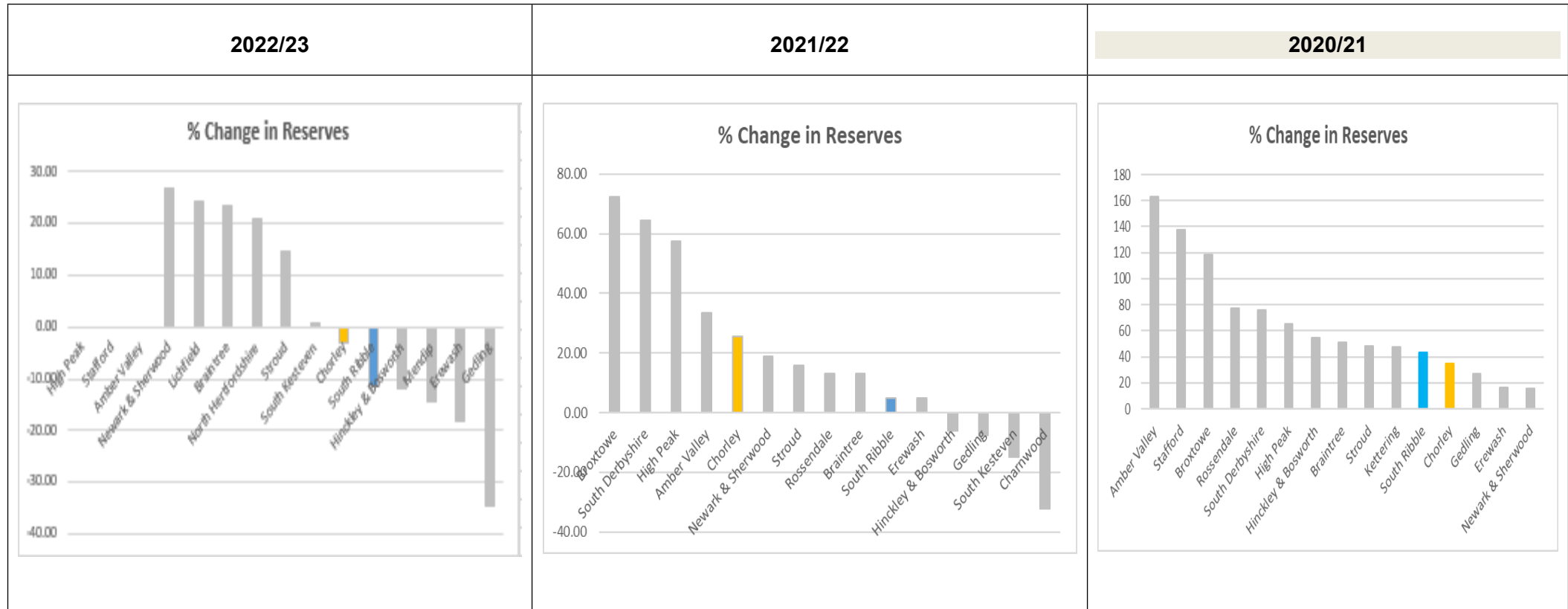
2020/21 = 123.89%

The charts highlight that reserves peaked in 2020/21 as a result of non-ringfenced Covid Grant Funding carried forward from 2019/20; this has subsequently been spent in line with the respective Grant conditions.

Against this indicator Chorley holds reserves (Earmarked and Unallocated excluding Covid grants and S31 Business Rate grants) equivalent to 74.30% of its annual Net Revenue. Of the 163 District Councils that submitted data (out of a total of 181), Chorley ranks the 35<sup>th</sup> lowest.

In comparison to the 11 (out of 12) Districts in Lancashire that submitted data, Chorley had the 10<sup>th</sup> (2021/22 = 5<sup>th</sup>) highest level of reserves compared to net revenue.

### 3. Change in Reserves



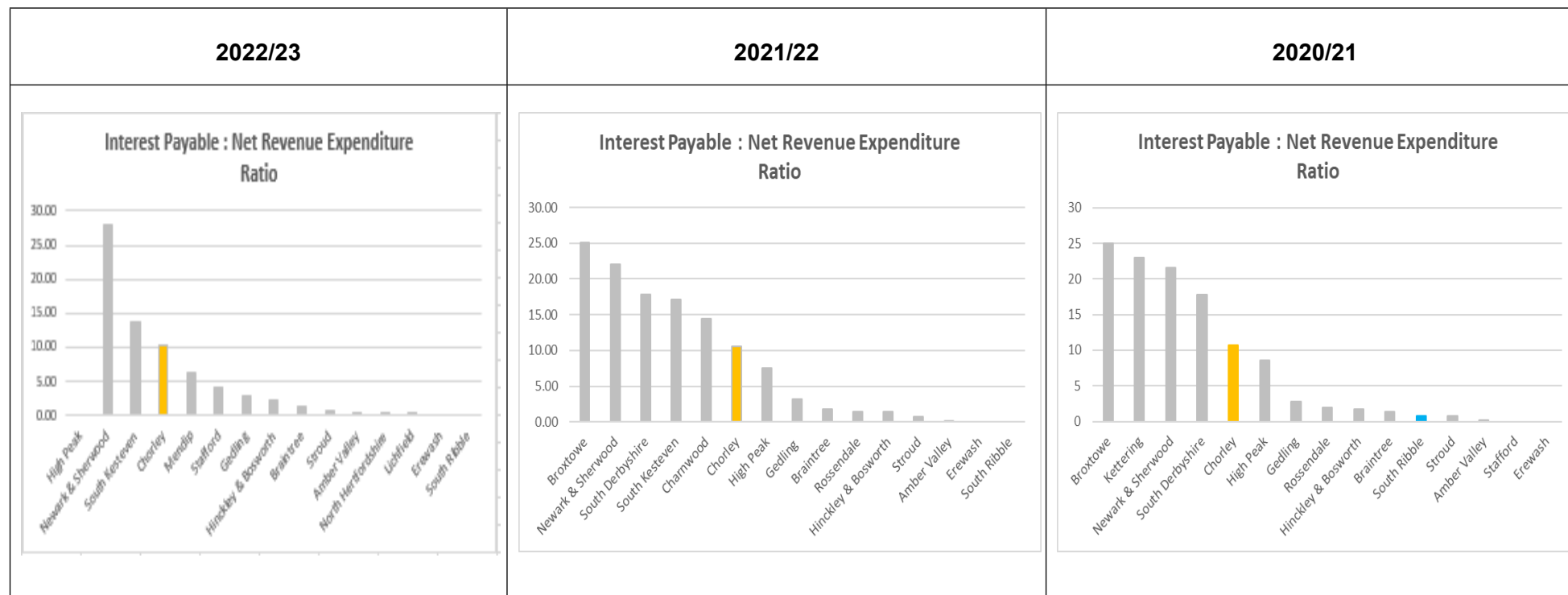
The chart highlights that the Council has reduced its level of reserves over the 2022/23 financial year (by 3.02%), compared to the increases seen in previous years.

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



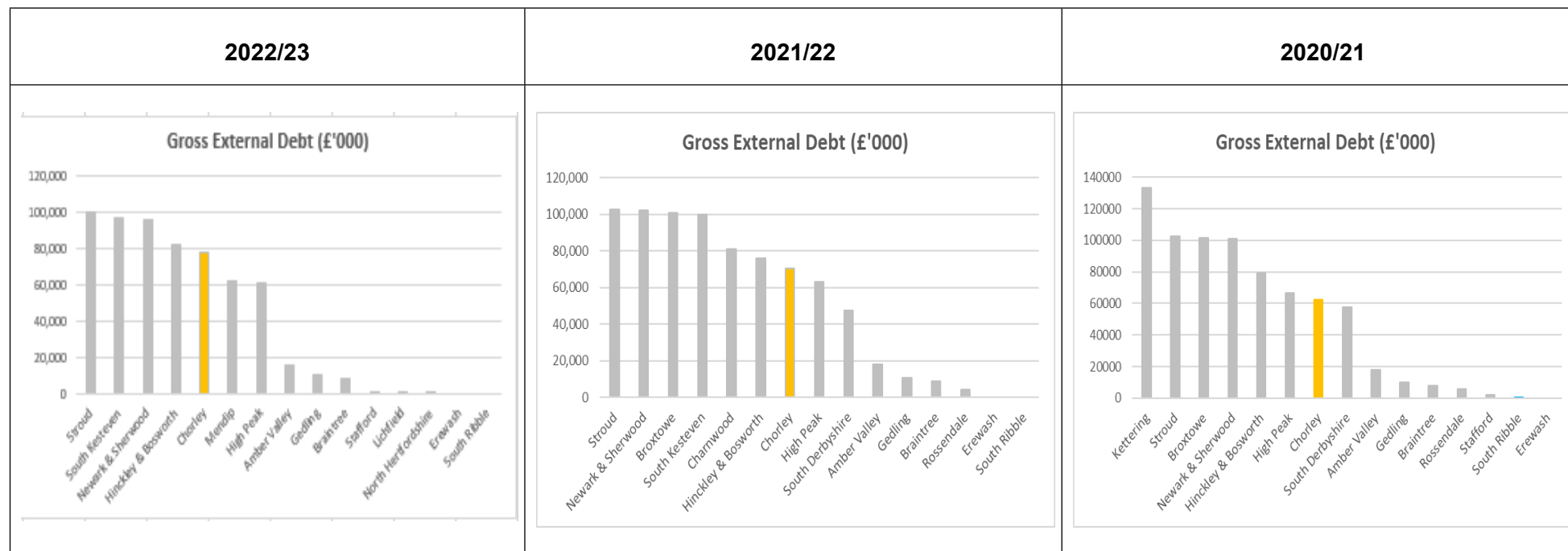
A high level of interest payable compared to Net Revenue Expenditure would be indicative of high levels of borrowing and/or loans taken out at high rates of interest. Overall rankings are broadly similar over the period.

Chorley continues to feature quite highly in the group, indicative of recent capital projects e.g. Logistics House, Market Walk, Strawberry Fields, Strawberry Meadows and Tatton; 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), at 10.52% of net revenue, of the 163 District Councils that submitted data (out of a total of 181), Chorley ranks 53rd highest.

In comparison to the 11 (out of 12) Districts in Lancashire that submitted data, Chorley had the 3rd highest level of interest payable compared to net revenue.

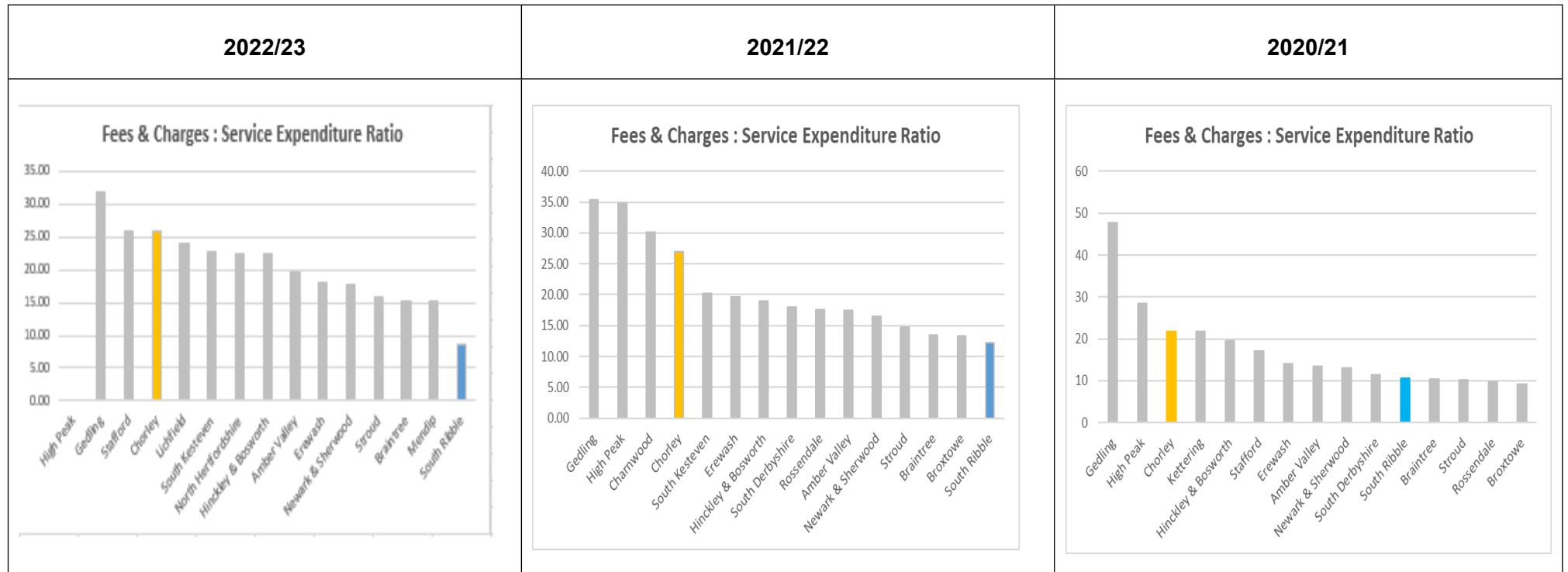
## 5. Gross External Debt



The council's level of external debt has increased slightly over the 2022/23 financial year.

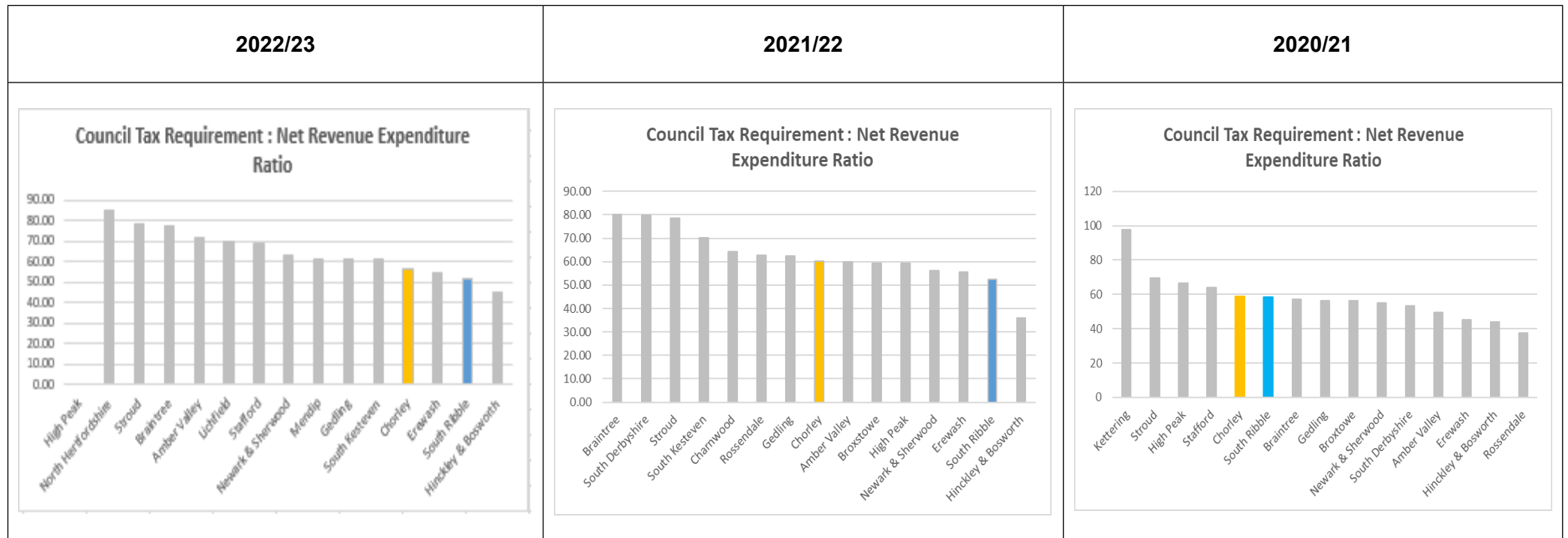
Despite embarking upon a number of large schemes (Logistics House, Market Walk, Strawberry Fields, Strawberry Meadows and Tatton), Chorley's debt is not out of step with the rest of the comparator group – suggesting most Councils are undertaking regeneration / income generation / invest to save capital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

## 7. Council Tax Requirement/Net Revenue Expenditure

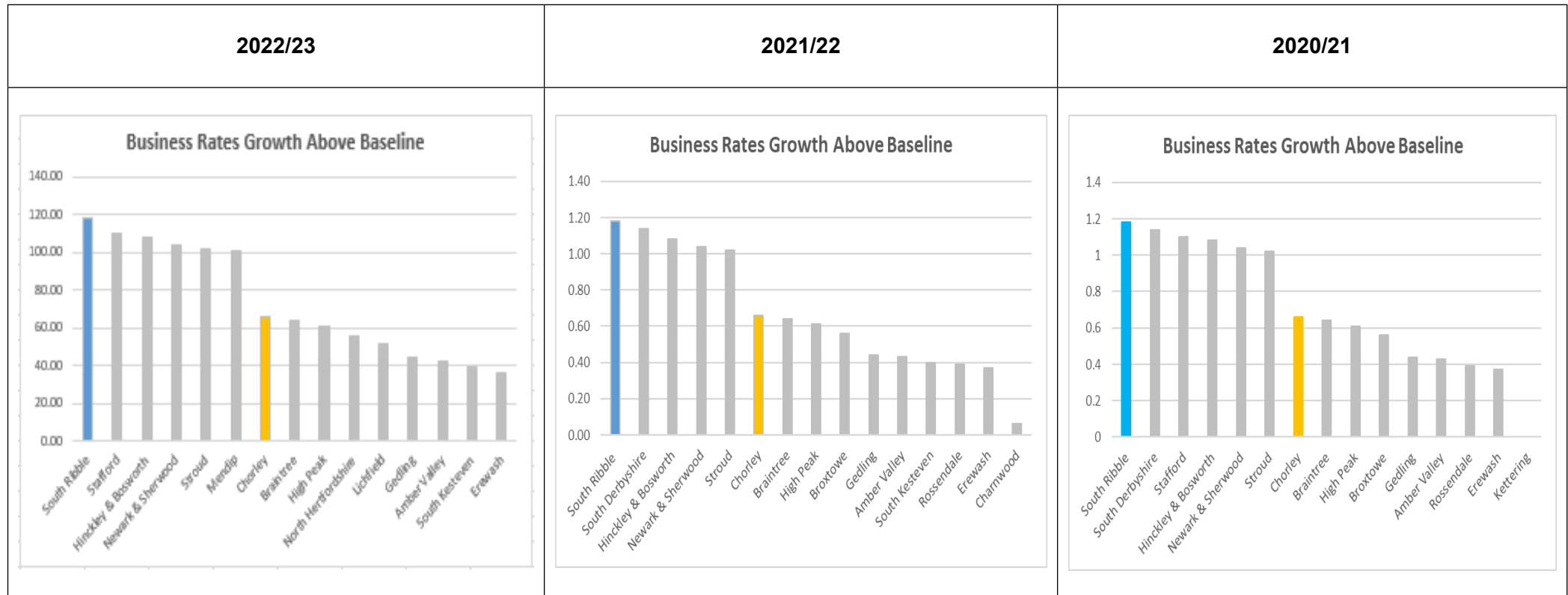


The graph above shows the level of Net Revenue Expenditure funded by Council Tax; the lower the percentage, the higher the dependency on government funding.

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 multiplied by Council tax rates)

The Council has shown a steady performance over the last three years, but it can be seen that other councils within the 'nearest neighbours' group have experienced greater improvement be that in the rate of council tax charged and/or in increases in their Council Tax Base.

## 8. Growth Above Baseline



The Council continues to show a stable position of growth over the three year period, and an average performance within the Group.