

CIPFA Resilience Index

Cabinet Member for Finance and Commissioning

Date: 18 July 2024
Agenda Item: 5
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Key Decision? YES
Local Ward Members Full Council



Lichfield
District Council

Audit Committee

1. Executive Summary

- 1.1. The latest CIPFA resilience Index for 2023 shows the Council's performance compared to a range of measures associated with financial risk.
- 1.2. The timing of the release of the index followed the release of Department for Levelling Up, Housing and Communities (DLUHC) statistics (i.e., Revenue Outturn 2022-23 and is therefore based on the position on 31 March 2023).
- 1.3. The data compares the Council to nearest statistical neighbours and all District Councils.

2. Recommendations

- 2.1 The Committee note the results of the CIPFA Resilience Index for 2023.

3. Background

- 3.1. CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management and provide a common understanding within a Council of their financial position.
- 3.2. The Index shows a Council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over several years, public consultation and technical stakeholder engagement.
- 3.3. The index is designed to support and improve discussions surrounding local authority financial resilience by showing a Council's performance against a range of measures associated with financial risk.
- 3.4. There are now ten (two new ones have recently been added for the nearest neighbour comparison) indicators of financial stress for District Councils and the CIPFA Resilience Index provides comparisons against both nearest statistical neighbours and all District Councils. The nearest statistical neighbours identified are:

Babergh	Rushcliffe
Broadland	South Ribble
Bromsgrove	South Staffordshire
Chorley	Stafford
Hambleton	Stroud
Hinckley & Bosworth	Test Valley
Mendip	West Oxfordshire

3.5. The relative level of risk and trend shown in the last four CIPFA Resilience Index statistical releases is shown below:

Indicators of Financial Stress	Nearest Neighbours				
	2019/20	2020/21	2021/22	2022/23	Trend
Reserves sustainability measure	Medium	Medium	Medium	Lower	Reduction
Level of reserves	Lower	Lower	Lower	Lower	Stable
Change in reserves	Lower	Lower	Medium	Lower	Reduction
Reserves :Income Ratio - Median 33%				33%	New

Gross external debt	Lower	Medium	Medium	Lower	Reduction
Interest payable as a % of Net Revenue Expenditure	Lower	Lower	Lower	Lower	Stable
Debt :Income Ratio - Median 9%				2%	New

Fees and charges	Lower	Lower	Lower	Medium	Increase
Council tax	Lower	Lower	Lower	Lower	Stable
Business rates	Higher	Lower	Lower	Lower	Stable

Auditors VFM assessment	Unqualified	Unqualified	N/a	N/a
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Indicators of Financial Stress	District Councils				
	2019/20	2020/21	2021/22	2022/23	Trend
Reserves sustainability measure	Lower	Medium	Medium	Lower	Reduction
Level of reserves	Lower	Medium	Medium	Medium	Stable
Change in reserves	Lower	Lower	Medium	Medium	Stable

Gross external debt	Lower	Lower	Lower	Lower	Stable
Interest payable as a % of Net Revenue Expenditure	Lower	Lower	Lower	Lower	Stable

Fees and charges	Lower	Medium	Medium	Medium	Stable
Council tax	Lower	Lower	Lower	Medium	Increase
Business rates	Medium	Medium	Medium	Medium	Stable

Auditors VFM assessment	Unqualified	Unqualified	N/a	N/a
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3.6. Relative risk trends and associated commentary are also provided below:

Indicators of Financial Stress	Commentary
Reserves sustainability measure	The reserves sustainability measure provides a measure of how long in years it will take to run out of reserves if they continue to use them as they have. With COVID and cost of living this will likely have led to greater use of reserves with different Councils impacted in different ways. The longer an authority's reserves will last, the less risk – reductions may also be due to planned reductions such as to fund capital expenditure rather than to fund budget gaps.
Level of reserves	The level of reserves is perhaps the simplest reserves indicator and compares the current level of reserves to the net revenue expenditure. Lower levels of reserves imply higher risk because there are less resources to manage risks and shocks. The level of reserves will reduce as earmarked reserves are used to fund projects in the Capital Programme.
Change in reserves	This identifies the change in reserves over a three-year period using figures from the current year and those from the previous three years. Negative changes imply higher risk – however reductions may also be due to planned reductions such as use to fund capital expenditure. An increase in risk could be due to the Council not increasing its reserves at the same relative rate as comparator Councils or has used reserves at a relatively quicker rate than at comparator Councils.
NEW Reserves : Income Ratio	Reserves are the total unallocated (general) and earmarked reserves. Income is the total Council Tax, Business Rates, Sales, Fees and Charges and Other Income. The Median is 33%.
Gross external debt	This indicator does not show how an authority will repay debt but shows the gross external debt (borrowing and finance leases) level and compares to other similar authorities. The Council has relatively low levels of debt.
Interest payable as a % of Net Revenue Expenditure	The amount of interest that is currently payable as a proportion of net revenue expenditure. The Council has relatively low levels of debt.
NEW Debt : Income Ratio	Debt is external borrowing and finance leases. Income is the total Council Tax, Business Rates, Sales, Fees and Charges and Other Income. The Median is 9%. The level of debt will increase significantly from 2025/26. This is because the Council will procure a new waste fleet using a contract hire arrangement that is likely to be classified as a finance lease.
Fees and charges	The proportion of service expenditure funded by fees and charges. The higher the ratio the lower the risk (income) - the Council has in theory, a greater influence over the level of income through pricing policy. This measure will have been impacted by COVID especially in relation to car parking which has now almost recovered to previous levels.
Council tax	The proportion of net revenue expenditure funded by Council tax income. The higher the ratio the lower the risk (income) - the Council has a greater influence over the level of income through housing growth in the Local Plan and setting the Council Tax.
Business rates	The level of Business Rate Growth above the Government Set Baseline. The higher the level of growth the greater the risk from decline or a Business Rate Reset. The MTFs currently assumes a reset and therefore no growth is included in the MTFs from 2026/27.
Auditors VFM assessment	In 2018/19 and 2019/20 the External Auditor provided a single VFM assessment. However, from 2020/21, the VFM assessment forms part of the Annual Audit Report and is focussed on three areas: <ul style="list-style-type: none"> * Financial sustainability; * Governance; * Improving Economy, Efficiency and Effectiveness.

Alternative options	No alternative options.
Consultation	The Chief Financial Officer is provided with a pre-release version to check the information is correct prior to publication.
Financial implications	The CIPFA Resilience Index is part of the CIPFA Financial Management Code and informs the Chief Financial Officer's Section 25 Report on the level of reserves as part of the Medium Term Financial Strategy.

Approved by Section 151 Officer	Yes
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Legal implications	No specific legal implications.
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Approved by Monitoring Officer	Yes/no*
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Contribution to the delivery of the strategic plan	The MTFS underpins the delivery of the Strategic Plan.
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Equality, diversity and human rights implications	There are no additional Equality, Diversity or Human Rights implications.
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EIA logged by Equalities Officer	Yes Equalities Officer confirmed not required.
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Crime & safety Issues	There are no additional Crime and Safety Issues.
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Data assessment	This assessment is not applicable to this report and its content due to statutory and regulatory requirements.
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Environmental impact (including climate change and biodiversity)	There are no additional environmental impacts.
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GDPR / Privacy impact assessment	There are no additional GDPR/Privacy Impact Assessment impacts.
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	Risk description & risk owner	Original score (RYG)	How we manage it	New score (RYG)
A	If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.	Likelihood: Yellow Impact: Red Severity of Risk: Yellow	The Finance Team contains experienced qualified Accountants and Accounting Technicians who are required to undertake regular Continuing Professional Development in line with the requirements of their qualifications. The Council has a strong, effective Leadership Team supported by experienced officers. There is also the role played by both Internal and External Audit both of which offer challenge and ensure compliance with laws and regulations.	Likelihood: Green Impact: Yellow Severity of Risk: Green

Background documents	The CIPFA Financial Management Code – Audit and Member Standards Committee 12 November 2020 CIPFA Resilience Index – Audit and Member Standards Committee 22 July 2021 CIPFA Resilience Index – Audit and Member Standards Committee 21 July 2022 CIPFA Resilience Index – Audit and Member Standards Committee 20 July 2023 Medium Term Financial Strategy – Council 27 February 2024
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Relevant web links	
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