

Audit Committee

29 June 2021



CIPFA's Financial Resilience Index

Paul Darby, Corporate Director of Resources (Interim)

Electoral division(s) affected:

None

Purpose of the Report

- 1 This report provides the Audit Committee with a brief overview of CIPFA's Financial Resilience Index and how Durham County Council compares to neighbouring authorities and other unitary authorities.

Executive summary

- 2 The Financial Resilience 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 The index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management and generate common understanding of the financial position within their organisation.
- 4 Appendix 2 provides a summary of financial comparative data for our council against neighbouring authorities and other similar sized unitary authorities (based on population).
- 5 There are no major areas of concern for the council which have been identified from review of the financial indicators available through the published index, with the council comparing favourably against both our neighbouring and benchmark group of similar sized unitary authorities.

Recommendation

- 6 Members are asked to note the content of this report and the financial comparative data for Durham County Council, included in Appendix 2.

Background

- 7 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 the past five years, public consultation and technical stakeholder engagement.
- 8 The Index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator or financial risk, so the Index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.

Main implications

- 9 The data will provide a pre-COVID baseline showing the resilience of authorities as they entered the pandemic.
- 10 Appendix 2 provides a summary of financial comparative data for our council against neighbouring authorities and other similar sized unitary authorities (based on population).
- 11 The financial indicators for comparison are:
 - (i) **Growth above baseline:** this indicator is calculated as the difference between the baseline funding level and retained rates income, over the baseline funding level.
 - (ii) **Council Tax Requirement / Net Revenue Expenditure:** this indicator shows the ratio of council tax as a proportion of net revenue expenditure.
 - (iii) **Fees & Charges to Service Expenditure Ratio:** this indicator shows the proportion of fees and charges against the council's total service expenditure.
 - (iv) **Social Care Ratio:** this indicator is the ratio of total spending on adult's and children's social care to net revenue expenditure.
 - (v) **Gross External Debt:** this indicator compares the gross external debt held by a council.
 - (vi) **Interest Payable / Net Revenue Expenditure:** this indicator is the ratio of interest payable and net revenue expenditure.

- (vii) **Change in Reserves:** this indicator shows the average percentage change in reserves (total useable excluding public health and schools) over the past three years (2017/18, 2018/19 and 2019/20).
- (viii) **Level of Reserves:** this is the ratio of the current level of reserves (total useable reserves excluding public health and schools) to the councils net revenue expenditure.
- (ix) **Reserves Sustainability Measure:** this indicator is the ratio between the current level of reserves and the average change in reserves in each of the past three years. A negative value (which implies reserves have increased) or one greater than 100 is recoded to 100.

- 12 There are no major areas of concern for the council which have been identified from review of the financial indicators, with the council comparing favourably against both our neighbouring and benchmark group of similar sized unitary authorities.
- 13 All financial indicators compared to other neighbouring authorities have been found to be low risk.
- 14 All financial indicators compared to other, similar sized, unitary authorities (based on population) have also been found to be low risk, with the exception of the Change in Reserves financial indicator. Our council appears to have a lower than average percentage change in reserves. Durham's reserves position has changed by 6.32% which compared to the average change of 21.25% and is under the average by 14.93%.

Other useful documents

- CIPFA's Financial Resilience Index (online data)

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Appendix 1: Implications

Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

Finance

There are no direct financial implications arising for the council as a result of this report. The data may be used to support good financial management and generate a common understanding of the financial position within the organisation.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

This report requires no decision and so a risk assessment has not been carried out.

Procurement

None.

The table below provides a summary of comparative financial indicators comparing Durham with similar sized unitary authorities:

Authority	Growth Above Baseline	CTR / Net Revenue Expenditure	Fees & Charges to Service Expend Ratio	Social Care Ratio	Gross External Debt	Interest Payable / Net Revenue Expenditure	Change in Reserves	Level of Reserves	Reserves Sustainability Measure
Durham	5.00%	54.45%	11.59%	53.13%	£ 438,414.00	3.04%	6.32%	51.67%	100.00
Cornwall	7.00%	60.25%	11.29%	53.59%	£ 960,704.00	5.44%	2.27%	44.82%	100.00
Buckinghamshire	4.00%	83.22%	9.32%	64.83%	£ 264,048.00	3.44%	-5.07%	28.85%	56.12
Wiltshire	16.00%	75.23%	9.59%	63.34%	£ 339,027.00	2.38%	12.68%	10.75%	100.00
Bristol	5.00%	58.75%	23.16%	68.22%	£ 601,144.00	6.51%	44.67%	26.71%	100.00
Cheshire East	21.00%	77.51%	10.95%	65.29%	£ 222,517.00	1.61%	-10.15%	18.24%	26.57
Dorset	7.00%	75.15%	15.11%	59.32%	£ 244,240.00	2.18%	N/A	39.59%	N/A
Leicester	6.00%	47.44%	9.00%	73.41%	£ 322,074.00	0.70%	38.73%	98.80%	100.00
East Riding of Yorkshire	28.00%	64.68%	11.89%	54.49%	£ 393,392.00	4.52%	13.09%	59.25%	100.00
Cheshire West and Chester	10.00%	79.08%	8.82%	72.18%	£ 299,719.00	3.33%	75.53%	62.48%	100.00
Northumberland	5.00%	65.95%	12.50%	50.48%	£ 894,637.00	10.75%	34.39%	60.87%	100.00
Average	10.36%	67.43%	12.11%	61.66%	£ 452,719.64	3.99%	21.25%	45.64%	88.27
Durham above / (under) average	-5.36%	-12.98%	-0.52%	-8.53%	-£ 14,305.64	-0.95%	-14.93%	6.03%	11.73
Indicator of Financial Stress	Low	Low	Low	Low	Low	Low	Medium	Low	Low