West Suffolk Council

Appendix A

CIPFA Financial Resilience Index 2021

1. Context

1.1 CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position. 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 seven years, public consultation and technical stakeholder engagement.

1.2 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 of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.

1.3 These indicators are prepared by CIPFA. West Suffolk Council do not have any direct input into the calculation or creation of these individual indicators.

1.4 The timing of the index follows the release of MHCLG statistics (i.e., Revenue Outturn 2019-20 on 21st January 2020). The pandemic has fundamentally altered the Local Authority funding landscape in 2020 to 2021. In this context, the Resilience Index provides a pre-COVID picture of resilience as at the end of March 2020.

2. Financial Resilience Indicators - Overall

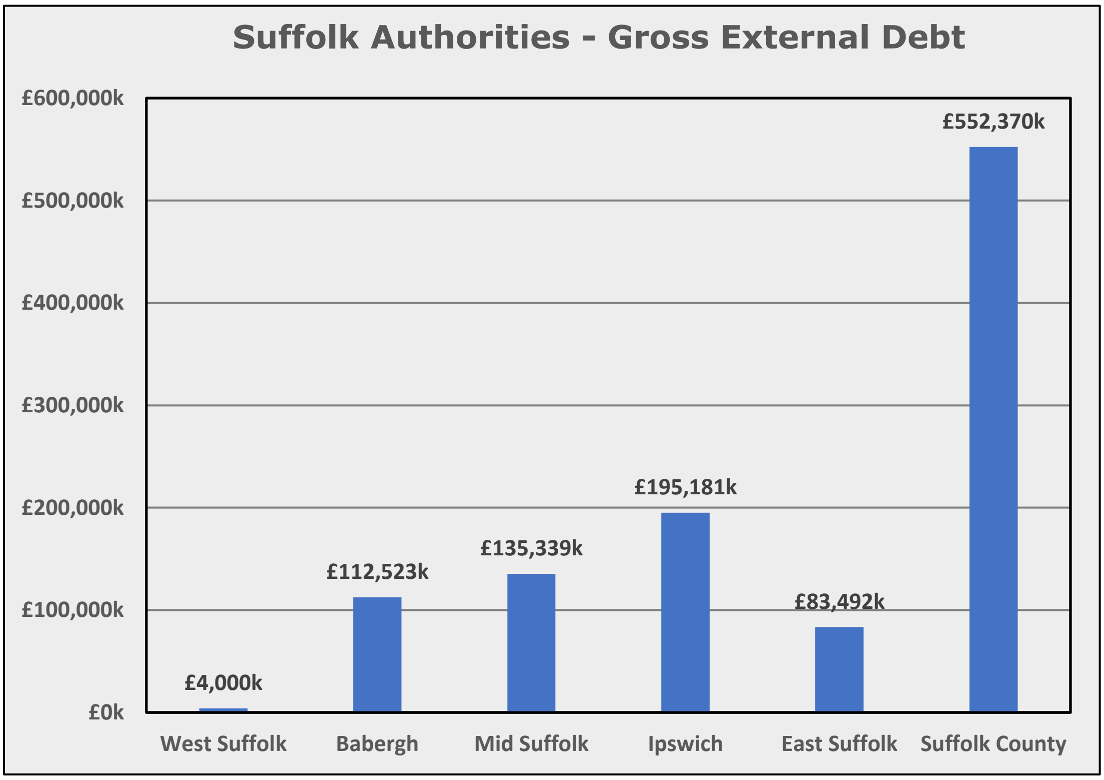
2.1 The following graphs show West Suffolk Council within the context of our neighbouring councils within Suffolk. This comparison across each indicator gives a broader picture of where West Suffolk stands in terms of its neighbouring authorities.

2.2 The overall picture for West Suffolk as set out below is one of average or lower risk across the indicators. The only higher risk indicator is that of Council tax requirement proportionate to our net revenue requirement, which reflects the Councils lower level of Council tax and its approach to diversifying its income streams through fees and charges to support its net revenue requirement. As Council tax is a statutory charge, Councils are seen to have a greater financial resilience the higher the Council tax requirement is as a proportion of net expenditure.

3. Financial Resilience Indicators - Detail

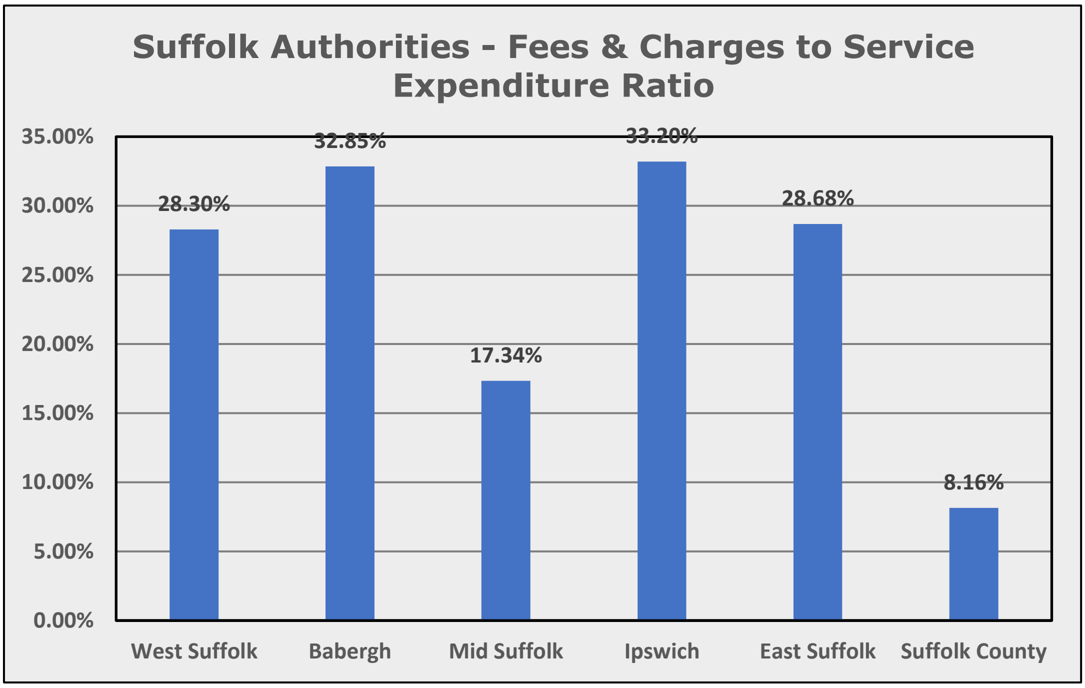
3.1 Gross External Debt

West Suffolk Council only has the £4m Lloyds long term loan as at the end of March 2020. West Suffolk has borrowed internally up to this point in order to fund our investments in our communities but each project was prudently appraised on the basis of external borrowing. Other Suffolk councils have taken on external debt to fund capital projects and investment – the position as at the 31 March 2021 is set out below.



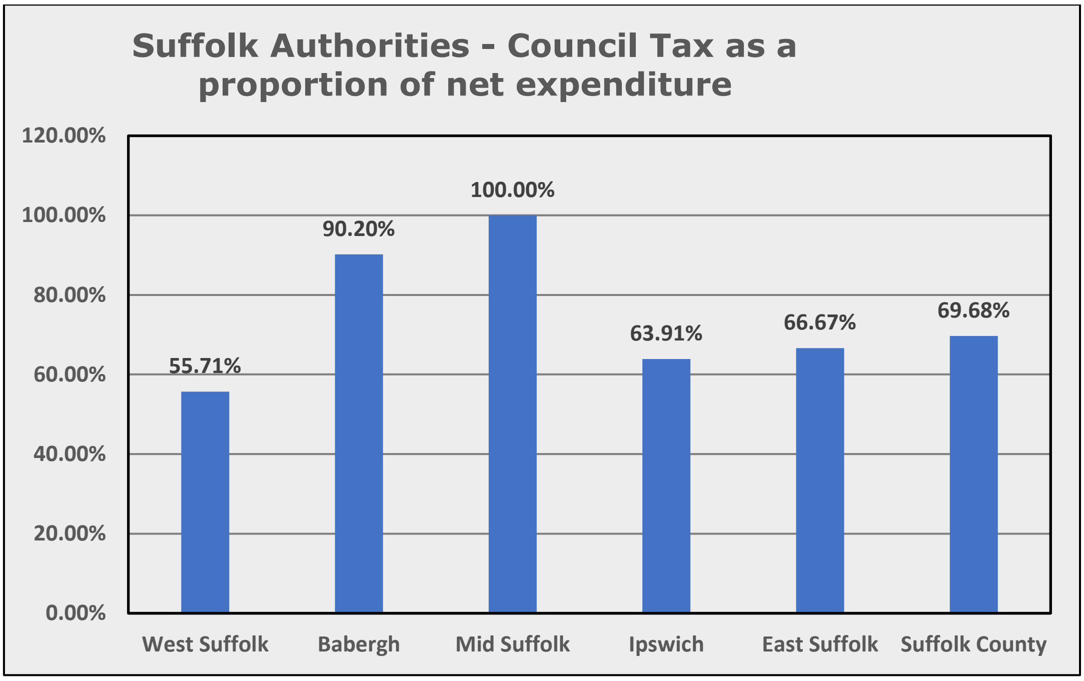
3.3 Fees and Charges

West Suffolk has successfully creating new and expanded existing revenue streams through Fees and Charges to assist with the day to day running of the council and to support some of its investment decisions. There is risk inherent in these revenue streams as has been shown by the impact on them by the COVID-19 lockdown. However, our exposure is not out of line with the other authorities in Suffolk, in particular our district peers.



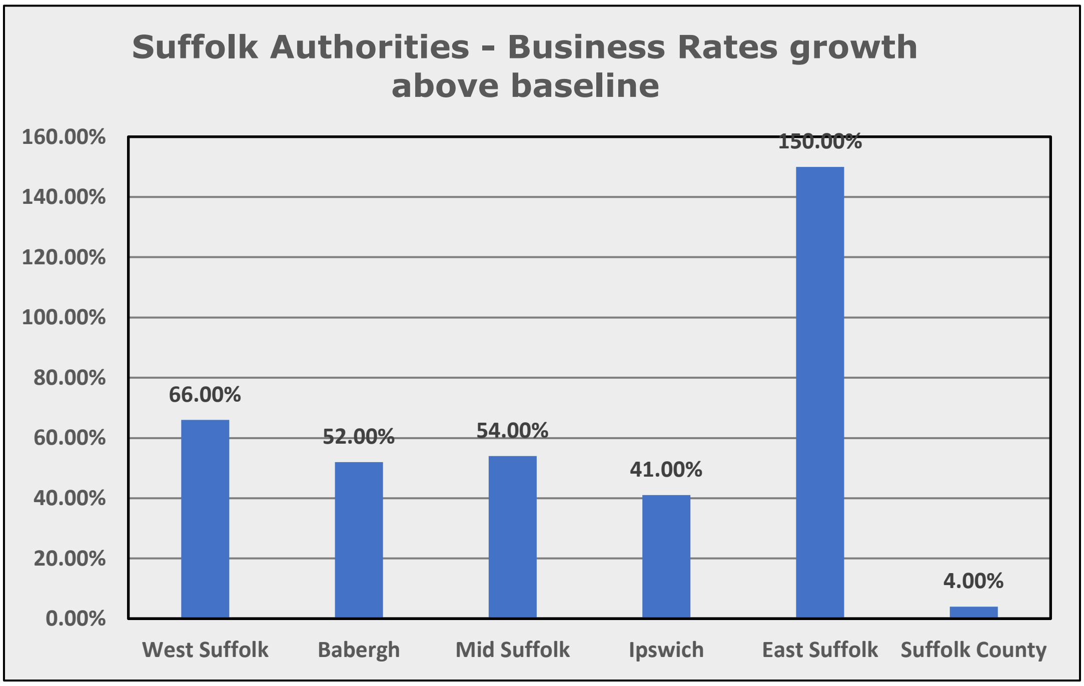
3.4 Council Tax Requirement

As counter to Fees and Charges (see above in 3.3) this metric shows the reliance of each council upon Council Tax as a source of funding as a proportion of new expenditure. West Suffolks result compared to the national position reflects its lower level of Council tax and its approach to diversifying its income streams through fees and charges to support its net revenue budget. As Council tax is a statutory charge, Councils are seen to have a greater financial resilience the higher the Council tax requirement is as a proportion of net expenditure.



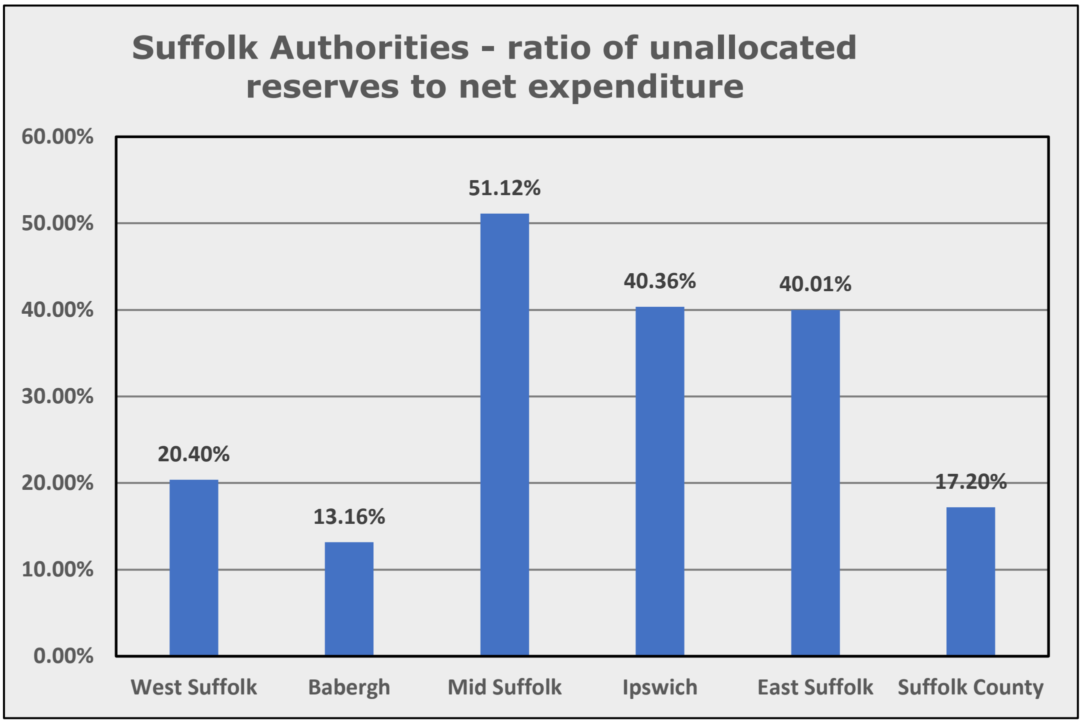
3.5 Growth above Baseline / Business Rates

This metric is to show how much each authority has gained, above the 2013 baseline, as a result of business rate retention scheme. The higher the growth above the baseline the higher the risk involved in the longer-term local trends and central government funding reforms which looks to re-baseline the scheme.



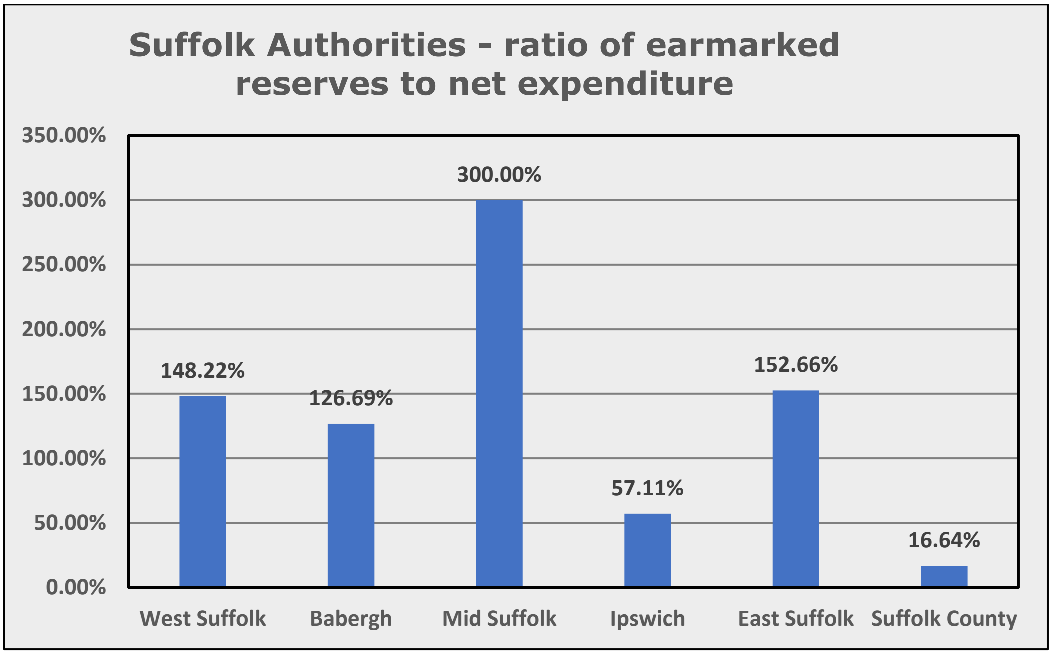
3.6 Unallocated Reserves

The West Suffolk General Fund balance of £5m is the extent of our unallocated reserves. This is one of the lower proportions amongst our neighbour councils but has been sufficient so far through the COVID-19 outbreak. The level of a Councils general fund balance is subject to an annual assessment/review by the Councils Chief Financial Officer taking into account the overall budget assumptions, risks and level of reserves.



3.7 Earmarked Reserves

Our earmarked reserves are significantly more than the unallocated (see 3.6) but obviously these are specific reserves allocated for funding specific projects and investment.


Suffolk Authorities - ratio of earmarked reserves to net expenditure
350.00%
300.00%
250.00%
200.00%
150.00%
100.00%
50.00%
0.00%
148.22%
126.69%
300.00%
57.11%
152.66%
16.64%
West Suffolk
Babergh
Mid Suffolk
Ipswich
East Suffolk
Suffolk County