

Decision Record – Local Authority Financial Resilience Index – Response to the Chartered Institute of Public Finance & Accountancy’s Consultation

Cabinet Portfolio Holder taking the decision	Cllr Peter Butlin Deputy Leader (Finance & Property)
Date of Decision (not before 17 August 2018)	17/08/2018

Decision Taken

I agree that the County Council’s draft response to the consultation paper on the Local Authority Financial Resilience Index be as appended to this decision notice.

I also delegate authority to the Strategic Director for Resources and the Head of Finance to approve any further adjustments to the consultation response prior to the submission date of 24 August 2018, providing they are consistent with the proposed responses in the report.

Reasons for Decisions

The Chartered Institute of Public Finance and Accountancy (CIPFA) is consulting on its plans to launch an authoritative measure of local authority financial resilience through the creation of a new local authority financial resilience index. The first edition of the resilience index is expected in the early autumn 2018.

CIPFA is proposing to use a range of indicators for the index, including the rate of depletion of reserves, level of reserves, demographic and social services pressures and level of borrowing.

CIPFA is working with local authorities to decide how the index should work and what criteria should be included and to do so is consulting widely. The six criteria proposed for inclusion in the index are:

- The level of total reserves, excluding schools and public health, as a proportion of net revenue expenditure.
- The percentage change in reserves, excluding schools and public health, over the past three years.
- The ratio of government grants to net revenue expenditure.
- Proportion of net revenue expenditure accounted for by children’s social care, adult social care and debt interest payments.
- Ofsted’s overall rating for children’s social care.
- Auditor’s VFM judgement.

The response appended to this notice reflects the following issues:

- 1.1. The need for public accountability and the fiduciary duty to the taxpayer. Failure to take appropriate financial action has a direct and often negative impact on local people and also the sector itself. However, all local authorities have a responsibility to ensure that the design, production, presentation and interpretation of financial data cannot be easily misinterpreted or misused, as this can also negatively impact on both the sector and local people. In responding

to the consultation we must ensure that any index that is implemented supports the political leadership, senior managers and the Section 151 Officer to improve financial management and accountability and has a net benefit for tax payers.

- 1.2. Recent failings at other local authorities have brought a lot of attention to local government, in particular to shire counties. There were clearly systemic issues at these local authorities but these issues do not necessarily apply to the whole sector. It is therefore important that an index does not simply provide central government and critics with undue 'evidence' of perceived wider financial management shortcomings that detract from the funding challenges all local authorities are facing. This would also be inconsistent with the need for public accountability and the fiduciary duty to the taxpayer. If an assessment of financial resilience is presented appropriately, it could be a helpful tool for the authority.

- 1.3. The well-publicised reports into the failings of other authorities have shown that the problems run deeper than mere financial measurements. Even if CIPFA are able to balance this piece of work in a fair way, it doesn't necessarily mean an authority will act on it. It is also important that any index is set within a wider context of the whole raft of tools that are available to support officers and members in ensuring proper financial management in an authority. It is likely that an authority that is properly run and has an appropriate culture will already be aware of its financial position, and this index will merely confirm that view.

Background Information

None

Financial Implications

Report Author	Andrew Harper
Head of Service	John Betts
Joint Managing Director	David Carter
Portfolio Holder	Councillor Peter Butlin

Checklist

Urgent matter?	No
Confidential or Exempt? (State the category of exempt information)	No
Is the decision contrary to the budget and policy framework?	No

List of Reports considered - please include link to report
Report published on website – content used in this decision notice

List of Background Papers - please include a contact for access to background papers
None

Members and officers consulted or informed – please include any comments
Cabinet Portfolio Holders – Councillor Peter Butlin and Councillor Izzi Seccombe Joint Managing Director (Resources) David Carter Legal – Jane Pollard Finance –Victoria Barnard, Virginia Rennie, John Betts Democratic Services – Paul Williams
<u>Resources and Fire & Rescue OSC – Group Spokespersons:</u> Councillors, Cllr Parminder Singh Birdi , Cllr Sarah Boad, Cllr Maggie O'Rourke, Cllr Heather Timms