

A resilience index for English councils

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The why, the what the how and the when

- Why are we intending to produce an index
- What will it be
- How do we propose to produce it
- Timescales and illustrations
- The consultation questions

Why are we doing this

- Current concerns
 - NAO report
 - Northants
 - Continued budgetary pressures.
- Unhelpful speculation rife – limited and not-transparent evidence
- Develop a transparent and independent analysis based on a sound evidence base
- Provide an early warning and allow action to be taken.

What will this be

- An assessment of the financial resilience of every English council based on a set of key metrics
- A relative assessment – primarily within council tiers
- Data for each council
- And aggregate table including an overall index
- But this work will not generate a predictor a financial failure!

Methodology – what do we know about signs of financial stress

- running down reserves [for purposes other than their planned use]
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings

Methodology – more stress factors

- the dependency on external central financing
- the proportion of non-discretionary spending – eg social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

Methodology – some principles

- measurements need to be consistent across all councils within a tier
- measures should be objective
- the methodology must be transparent
- we should use the latest available reliable measures.

Methodology – the indicator set

- Level of reserves (as proportion of net revenue expenditure)
- Changes in reserves
- Ratio of government grants to net revenue expenditure
- Proportion of net revenue expenditure accounted for by children's social care, adult social care and interest payments
- Ofsted rating for children's social care
- Auditor's VFM judgement

Methodology - sources

- RO returns supplemented with statements of accounts
- Ofsted
- PSAA
- Reviewing other sources

Methodology - scoring the index

- Step 1: Identify the highest and lowest values within the comparator group.
- Step 2: Assign a score of 0 to the lowest performing council and 1 to the highest performer.
- Step 3: For the each council, the indicator score is calculated as:

$$\frac{\text{council value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

Methodology – scoring the index 2

- For the categorical variables, the categories are given a numerical value and the same calculation made.
- The result of these calculations is a relative score on each measure for each council which, for ease of interpretation, will be rescaled so the median score is 100.

Methodology – combining the scores

- Weight together the indicators

Indicator	Weight
Level of reserves	0.25
Change in reserves	0.25
Grants to expenditure ratio	0.10
Social care and debt financing ratio	0.15
Ofsted inspection score	0.15
Auditor's VFM judgement	0.10

How will we present

- A council dashboard
- Overall scores as a table
 - Including components
 - With colour coding
- Summary analysis of tiers and geographies
- Freely available from the Cipfa website

financial resilience index analysis

Authority: Barchester
Year: 2016-17

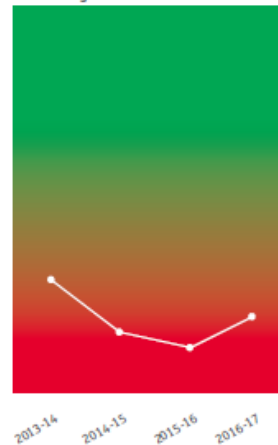
Comparator Group: London Boroughs
Distribution: Raw

	Worst performing	Best performing	Max	Min	Authority
Total - schools - PH reserves /net exp			£1,817	£124	£463
Earmarked Reserves (line 915) /net exp			£1,532	£89	£291
Unallocated Reserves (line 916) /net exp			£558	£35	£172
School Reserves Variation (line 811) %			124.4%	-94.3%	-24.7%
Public Health Reserves Variation (line 814) %			274.8%	-100.0%	-79.5%
Earmarked Reserves Variation (line 815) %			95.2%	-62.7%	-4.3%
Unallocated Reserves Variation (line 816) %			109.8%	-71.3%	-28.8%
Total - schools - PH reserves variation /net exp £k			35885.3%	-15107.9%	-15107.9%
Revenue Support Grant (line 851) /net exp			£165	£761	£412
Council Tax Requirement (line 890) /net exp			£699	£52	£272
Council Tax Requirement/RSG			£306	£4,234	£661
Retained Income from Rate Retention (line 870) / net exp £k			£0	£0	£0
Other items (line 880) £			£1,718	£7,274	£1,067
Children Social Care Service Expenditure (line 330) /net exp			£355	£19	£355
Adult Social Care Service Expenditure (line 360) /net exp			£545	£59	£279
Total Social Care Expenditure + Interest Payments /net exp			£861	£77	£633

Auditors VFM Judgement
Unqualified

Social Care Ratings	
Help and protection	Requires Improvement
Children looked after and achieving permanence	Requires Improvement
CLA sub: adoption performance	Requires Improvement
CLA sub: experiences and progress of care leavers	Requires Improvement
Leadership, management and governance	Requires Improvement
LSCB overall effectiveness	Requires Improvement

Trend Analysis



Group Overall Performance

Comparator 1	160.7
Comparator 2	128.0
Comparator 3	127.4
Comparator 4	120.2
Comparator 5	118.7
Comparator 6	116.2
Comparator 7	115.5
Comparator 11	108.0
Comparator 12	107.7
Comparator 13	107.4
Comparator 15	103.3
Comparator 16	102.2
Comparator 17	99.5
Comparator 18	99.4
Comparator 19	99.3
Comparator 20	96.8
Comparator 21	93.6
Comparator 22	93.4
Comparator 23	92.4
Comparator 24	90.4
Barchester	84.0
Comparator 26	83.4
Comparator 27	78.4
Comparator 28	77.9
Comparator 29	75.8
Comparator 30	75.5
Comparator 31	71.0
Comparator 32	66.5
Comparator 33	61.2

The consultation questions part 1

- a. Are the proposed indicators the right ones – are there other measures that should be included or ones omitted?
- b. Is the method for combining the indicators to produce a composite indicator appropriate? Are the weights, particularly the greater weighting on reserves reasonable?
- c. Is the proposed presentation, including both the summary and the individual council dashboard, the right way to present the data?

The consultation questions – part 2

- d. Do you have any comments on CIPFA's view that to aid transparency the full analysis should be freely available on CIPFA's website?
- e. Available data tends by its nature to be retrospective, what forward looking indicators would you also see as useful to include to support the index

Timetable

- Consultation opened 2 July
- Consultation closes 24 August
- First publication early autumn 2018

Consultation page

- <http://www.cipfa.org/policy-and-guidance/consultations/consultation-on-cipfa-index-of-resilience-for-english-councils>
- Or just search for Cipfa consultations.