

Date: 24 August 2018  
Our ref: AJM 2018/002



Resilience Index Consultation  
Research and Analytics  
CIPFA  
77 Mansell St  
London  
E1 8AN

**Corporate and Commercial Services**  
Corporate Finance Team  
Level 14, Civic Centre  
West Street, Oldham OL1 1XJ  
Tel: 0161 770 4467

Dear Sir/Madam

**Re: Consultation: Local Authority Financial Resilience Index**

Please find enclosed Oldham Council's response to the consultation titled 'Local Authority Financial Resilience Index'.

Should you have any queries regarding this response, please contact my colleague Mr Andrew Moran (Assistant Director of Finance) on 0161 770 4467 or by email at [andrew.moran@oldham.gov.uk](mailto:andrew.moran@oldham.gov.uk).

Yours Faithfully

A handwritten signature in black ink that reads "A. T. Ryans".

Anne Ryans  
Director of Finance BA (Hons), FCPFA  
Direct line: 0161 770 4902  
Email: [anne.ryans@oldham.gov.uk](mailto:anne.ryans@oldham.gov.uk)

Enc.

## Local Authority Financial Resilience Index

### Oldham Council Consultation Response

No	Question	Response
A	Are the proposed indicators the right ones – are there other measures that should be included or ones omitted?	<p>The Council is supportive of the work CIPFA is doing to draw attention to the significant financial pressures local authorities are faced with after almost a decade of spending reductions and austerity.</p> <p>Whilst assembling and publishing a resilience index may help raise the profile of this matter among stakeholders, there are two fundamental issues which we believe need to be addressed:</p> <ul style="list-style-type: none"><li>• Inevitably, all of the indicators used in the index are ‘backward-looking’. Without supporting context, they provide no indication regarding the actions an authority is taking to maintain resilience in the years ahead;</li><li>• Publication of resilience scores by authority may lead some commentators to view this as a league table. An authority may be unfairly judged as being poor performing simply because of its resilience score relative to other authorities.</li></ul> <p>Attempts have previously been made to arrive at a similar indicator by the LGA and others. In addition, similar exercises are undertaken by organisations such as the National Audit Office. The Council believes CIPFA should engage these organisations to further develop the proposed index to avoid duplicating work done previously and to help make the index as meaningful as possible.</p> <p>As an alternative to this approach, Oldham believes CIPFA could do more to challenge HM Treasury’s approach to undertaking Spending Reviews as well as Central Government’s approach to costing the implications of policy decisions. From a local authority perspective, these processes leave a lot</p>

No	Question	Response
		<p>to be desired as the sector is continually expected to fulfil the same or even additional statutory duties from resources that have diminished year on year in real terms.</p> <p>Whilst the measures presented are predominantly reasonable in their own right, taken together they are unlikely to be comprehensive enough to create an 'authoritative measure of councils' financial resilience'. Below are specific comments in relation to the proposed indicators:</p> <p>Total level of reserves – This indicator should only be used if it is practical to reflect local circumstances regarding the rationale for retaining specific reserves and the period over which they are planned to be utilised. The definition provided in the consultation needs clarification as it appears to include HRA reserves. It is arguable that the definition of 'total reserves' should not include any resources that are ringfenced to a specific service area.</p> <p>Percentage Change in Reserves – Reductions in reserves are not always a consequence of a failure to achieve savings targets. Contrary to this, a reduction in reserves could equally signal significant investment in service transformation that is designed to deliver permanent medium term spending reductions.</p> <p>More generally, the Council believes the index is over-reliant on measures associated with the overall level of or change in reserves. The index may have more value if it identified either the regular unplanned use of reserves or regular use of reserves to finance ongoing expenditure.</p> <p>Ratio of government grants to revenue expenditure - Funding for local authorities is increasingly provided from local sources, such as council tax and business rates, rather than government grants. Furthermore the ratio of government grants to revenue expenditure for authorities piloting further</p>

No	Question	Response
		<p>business rates retention, will not be comparable to non-pilot authorities.</p> <p>Auditor's VFM Judgement – This indicator could be supplemented by scores for evidence of a robust approved Annual Governance Statement complemented by robust Audit Committee and Scrutiny processes.</p>
B	<p>Is the method for combining the indicators to produce a composite indicator appropriate? Are the weights, particularly the greater weighting on reserves reasonable?</p>	<p>As Councils are facing significant Children's Social Care pressures, perhaps this indicator should be given a greater weighting in relation to its impact on an Authority's financial resilience. This could be achieved by reducing the weightings for the level of reserves and the percentage change in reserves. The level of reserves is not always linked to poor financial resilience as there may be sound business reasons for committing a relatively high level of reserves to support spending priorities (e.g. to finance a service transformation programme).</p> <p>It would be helpful if CIPFA published the rationale for the weightings proposed in the consultation paper. This will help inform the debate as to which indicators should be considered relatively more or less important.</p>
C	<p>Is the proposed presentation, including both the summary and the individual council dashboard, the right way to present the data?</p>	<p>The proposed dashboard is a clear and sensible way forward for presenting this information. However, prior to publication, there needs to be a process in place for allowing Councils to review and if necessary request amendments to the information.</p> <p>In terms of the illustration presented on page 9 of the consultation paper, some presentational improvements are needed including:</p> <ul style="list-style-type: none"> <li>• The inclusion of main category scores and overall scores;</li> <li>• Better labelling of graphs, for example the inclusion of titles and descriptions for the x and y axis;</li> <li>• Additional guidance to support interpretation of the dashboard content.</li> </ul>
D	<p>Do you have any comments on CIPFA's view that to aid transparency the full analysis should be freely available on CIPFA's website?</p>	<p>The Council supports any efforts to improve transparency and broaden access to information about the public sector. However, the Council is concerned the data will be misrepresented by some media commentators and perceived as a league table with a low score being treated as</p>

No	Question	Response
		analogous to poor performance. For that reason, at least initially, the Council believes the index should be produced in draft format and only made available to participants via a member only section of the CIPFA 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?	<p>Other indicators that could be considered for inclusion are:</p> <ul style="list-style-type: none"> <li>• External Auditors going concern statement;</li> <li>• Approved Medium Term Financial Plan published;</li> <li>• Approved Reserves Policy published; and</li> <li>• Council Plan published.</li> </ul>