



CIPFA in the Midlands

Financial Resilience

5 November 2019



Background

From our experience we understand that within the public sector your medium term financial position is under more pressure than ever before. This session aims to give you some practical steps to follow in order to help establish a strong platform to ready you for the challenge ahead.

These steps are based on our experience as local government auditors and our assurance work with clients in a wide variety of other sectors.



Richard Walton

Senior Manager

Specialises in managing Local Government assurance and governance reviews, Richard has 15 years of experience working within the sector.



Andrew Cardoza

Engagement Leader

Has over 20 years of leading advisory engagements across the public sector, with a particular focus on financial sustainability.

Overall approach

To address these challenges, we propose that the following pieces of work are undertaken:

-  Carry out an **baseline review** of your approach to the development of your MTFP. Review the assumptions you have made about future pressures. Aim is to challenge how you assess the underlying performance of the Council. This will establish the “gap” you are required to close between cost and income.
-  Undertake an **assessment of the initiatives you propose to close this gap**. How robust is your planning for each of these projects and how good is the overall governance framework in place to track savings? This should include a review of the robustness of your project plans and a consideration of other risks/opportunities inherent to your proposals.
-  Identify **new opportunities** in order to close the financial gap in the MTFP or create some “headroom” so that there are further initiatives worked up to supplement those you have already identified. This should include focusing on where your savings are targeted and also consider whether investments are needed to help reduce future costs.

Question 1 – financial baseline

Aim to normalise the underlying financial position of the Council

Look back at recent financial performance to remove non-recurrent savings masking performance and look forward across the life of your MTFP to assess the size of the financial challenge ahead. Also consider whether there are other risks within the operations of the Council which represent a financial risk you are not considering.



Baseline financial position - giving one version of the truth

**What was the biggest pressure on your revenue budget last year?
What did you do in order to meet the overall target?**



Challenge of all assumptions within your MTFP – have you covered all the risks?

What are the key assumptions in your MTFP? How wrong do they need to be in order to cause a problem?

Are there any risks you think you haven't covered?

Question 2 - Assessment of initiatives

Aim to establish how robust your plans and associated governance arrangements are

Look at the detail within your savings plans to assess whether they are sufficiently scoped. Also consider whether you have sufficient grip over the delivery of such plans.



Review of cost / benefit assumptions within each cost saving initiative

**What is the biggest assumed cost saving in your MTFP?
What is the biggest risk to this not happening?**



Undertake a RAG rated assessment of each savings scheme currently proposed

What is the most difficult cost saving in your MTFP? What is the biggest obstacle to it being achieved?



How robust are the governance arrangements you have in place to achieve your savings plans

**Who is the person in charge of savings plans at your Council?
Where is progress reported, how often?
What happens if it is not achieved?**

Question 3 - Identify new opportunities

As we get further into the financial challenge have you considered everything?

Are you putting off decisions that need to be taken? If you do not make these decisions will you still be able to meet payroll in 5 years time?



Where are your savings plans focussed?

What are your top five areas of spend? Do your savings plans challenge each of these areas?



Are there previous plans you have discounted which need re-considering?

What ideas have been discounted in the last 5 years? How much extra income/cost saving has been forgone?

Any questions?

