

From resilience to sustainability

Financial Foresight

Tom Foster
6 March 2019



The need for holistic financial foresight

Austerity forces local councils to merge services

Councils fear funding crisis and propose to raise taxes

Revealed: cash crisis pushing child services to tipping point

The scandal of councils in affluent areas getting a better deal

English councils face cash crunch as social care costs bite

Not enough money to run vital services, warn England's councils

Local councils to see central funding fall 77% by 2020

Austerity, outsourcing and English councils in crisis

Councils need urgent long-term funding plan, says watchdog



“

“The current pattern of growing **overspends** on services and **dwindling reserves** exhibited by an increasing number of authorities is **not sustainable** over the medium term. The financial future for many authorities is **less certain** than in 2014.”

NAO, Financial sustainability of local authorities 2018

”

Four questions at the heart of financial foresight



Can we develop forecasts and projections for all Councils, to show **patterns of likely financial failure into the future?**



Can we identify the **demand drivers that are key in creating financial pressures and overspends** in the system?

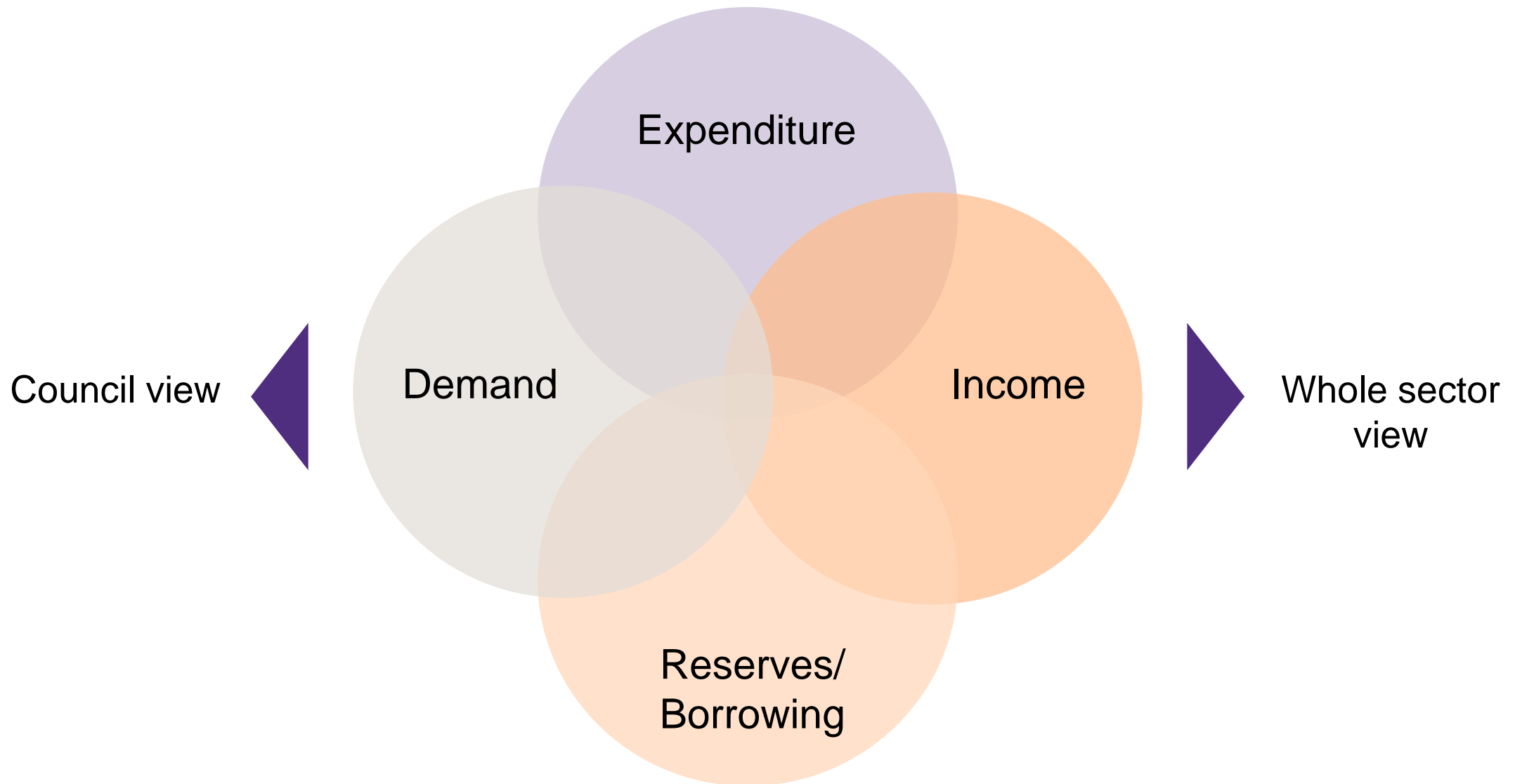


Are there **common and unifying factors in those authorities more likely to fail** in the near term?



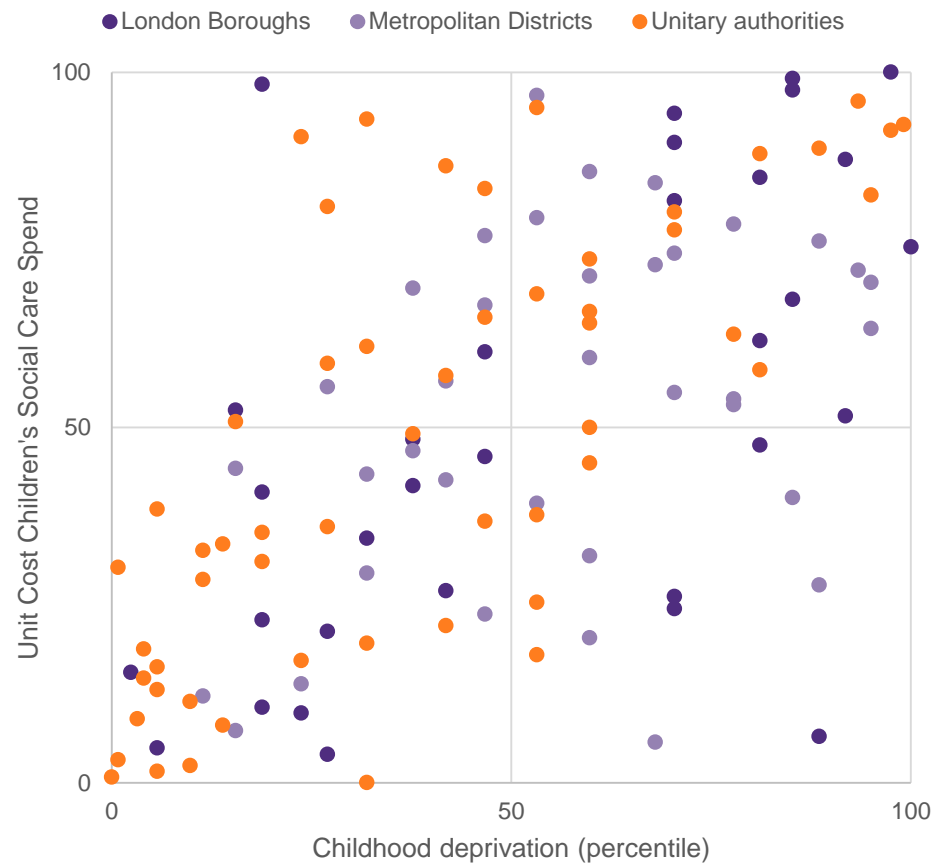
Can we identify **key financial ratios that provide indicators of risk** in terms of the financial outlook for individual Councils?

A flexible and robust modelling framework...

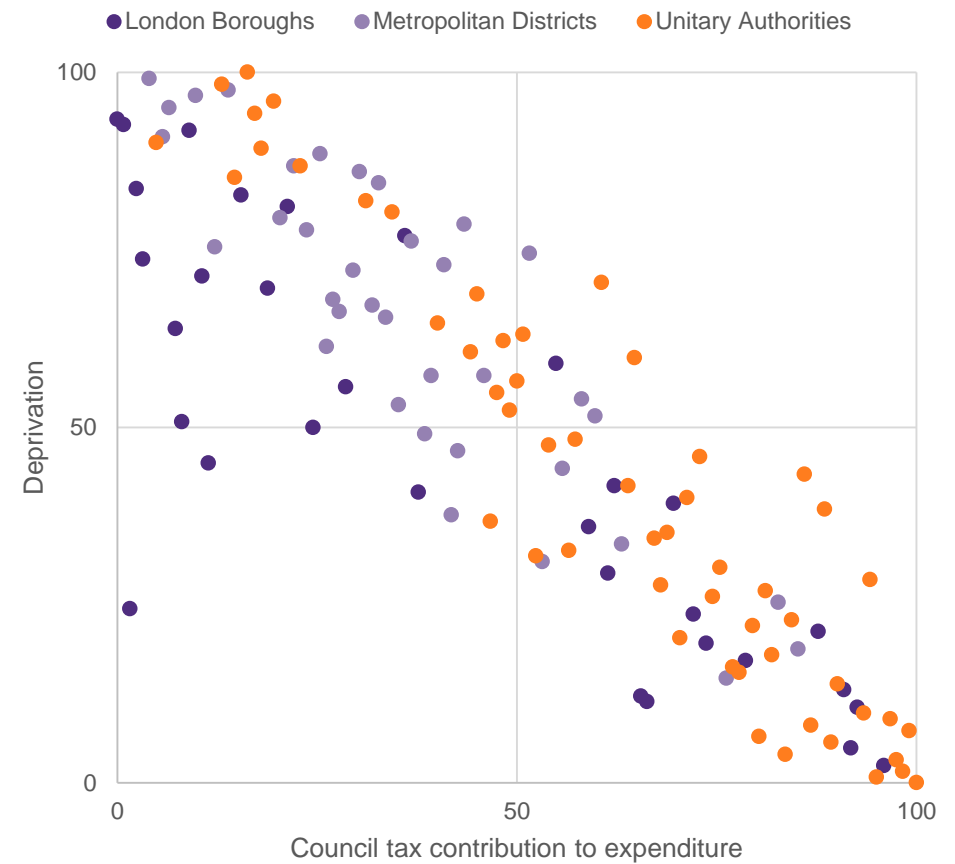


...drawing on a range of demand drivers

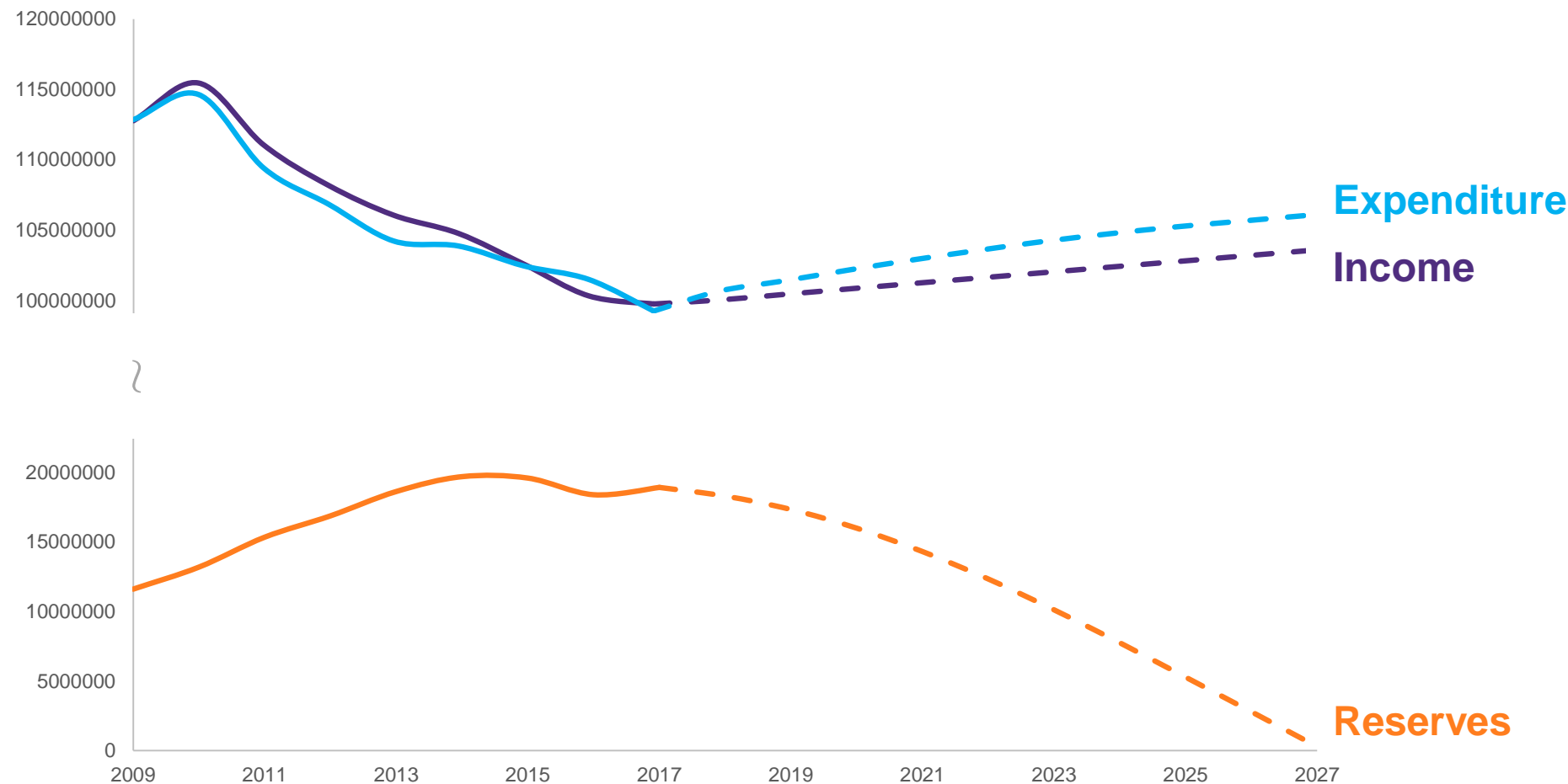
Childhood deprivation vs Children's Social Care Spend



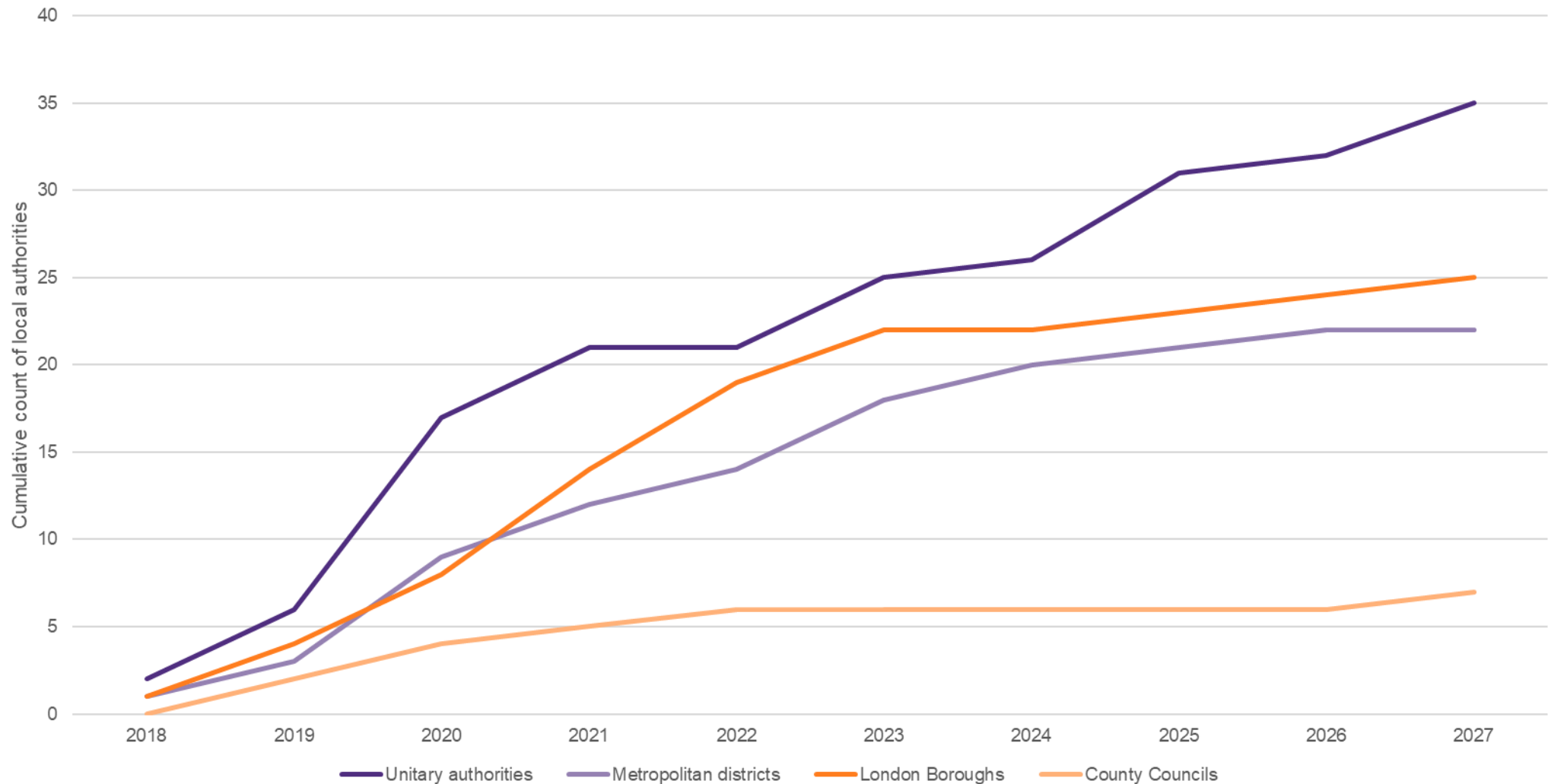
Council tax contribution to expenditure vs deprivation



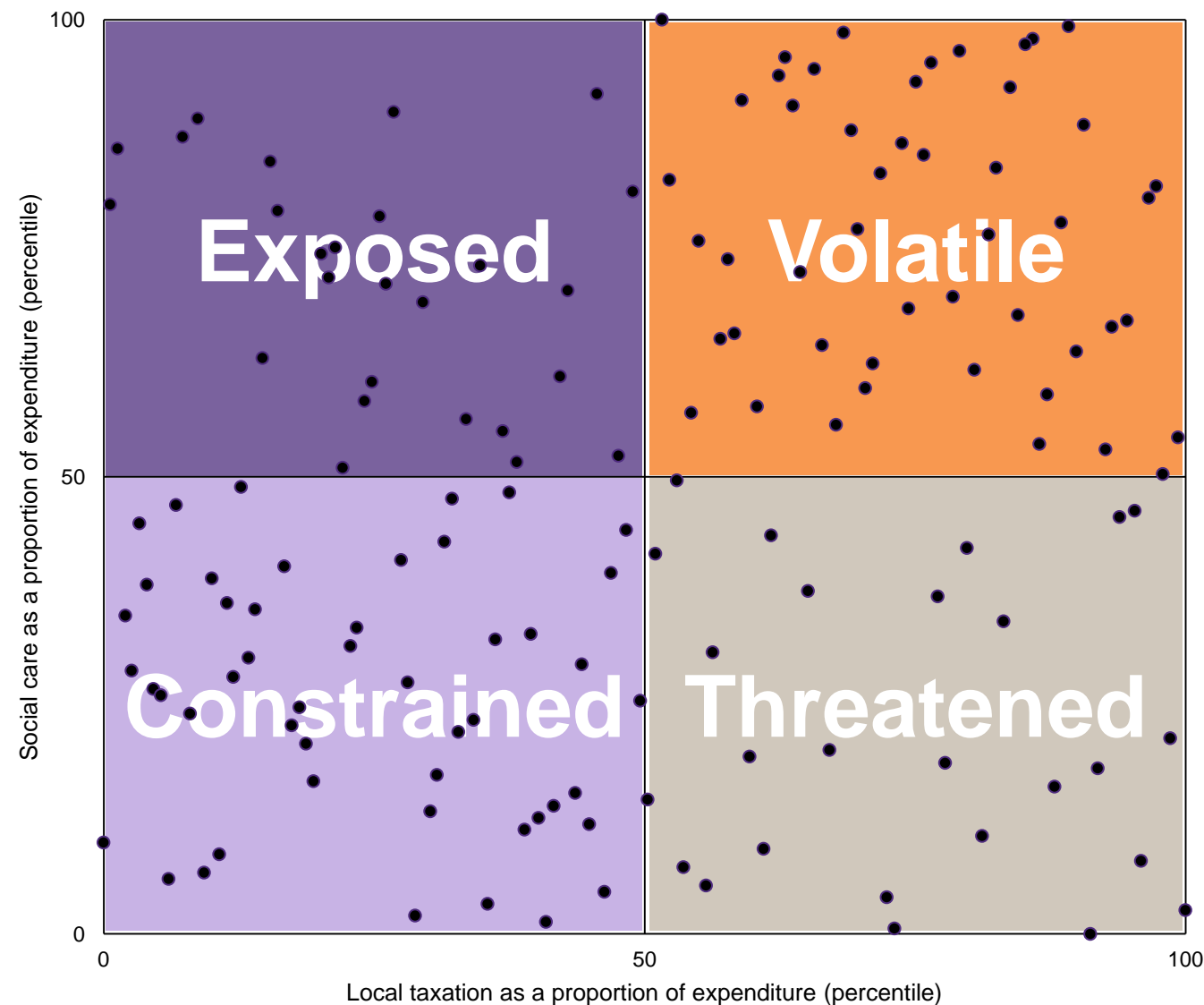
Patterns of future failure...



...providing an understanding of common factors

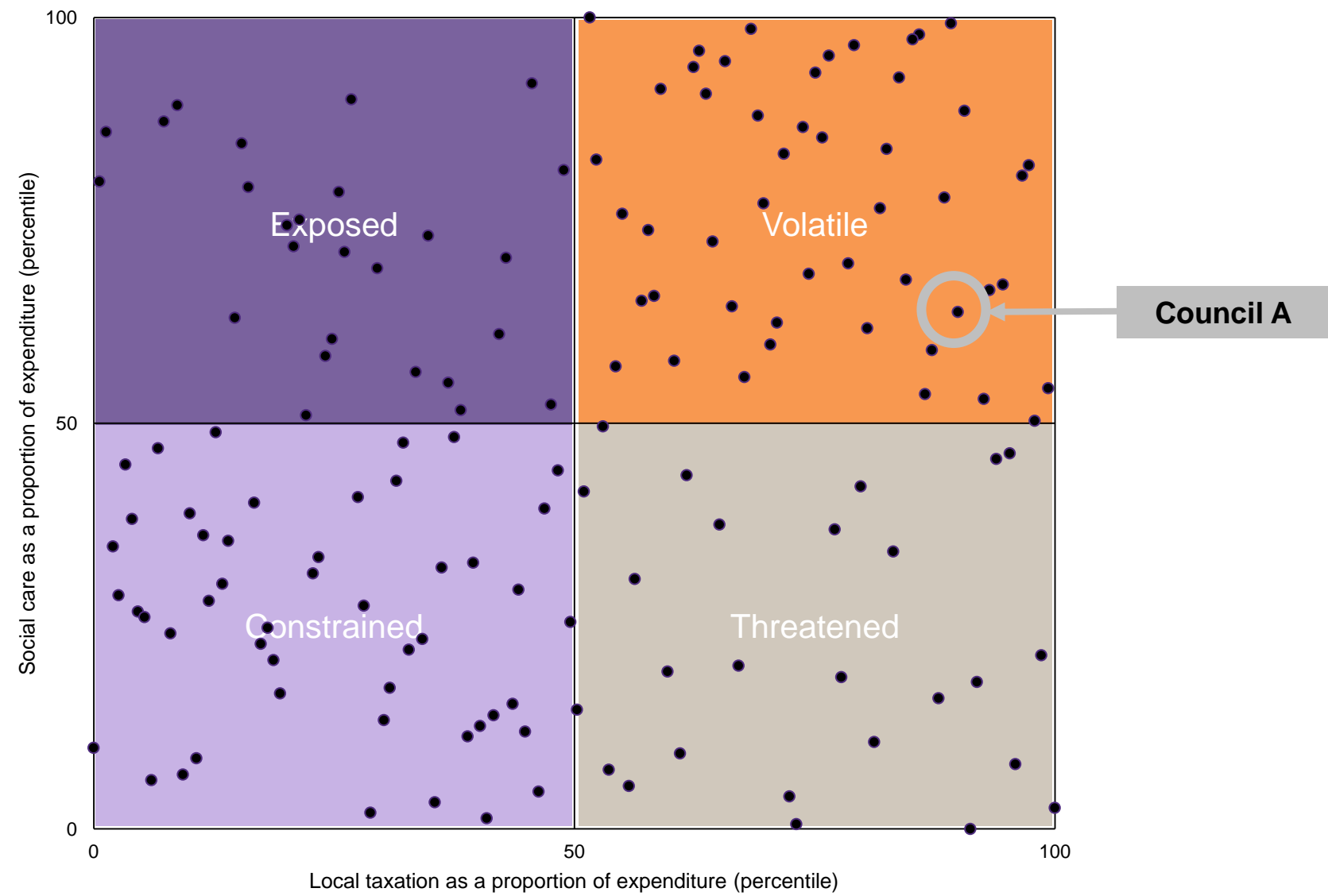


Resilience matrix...



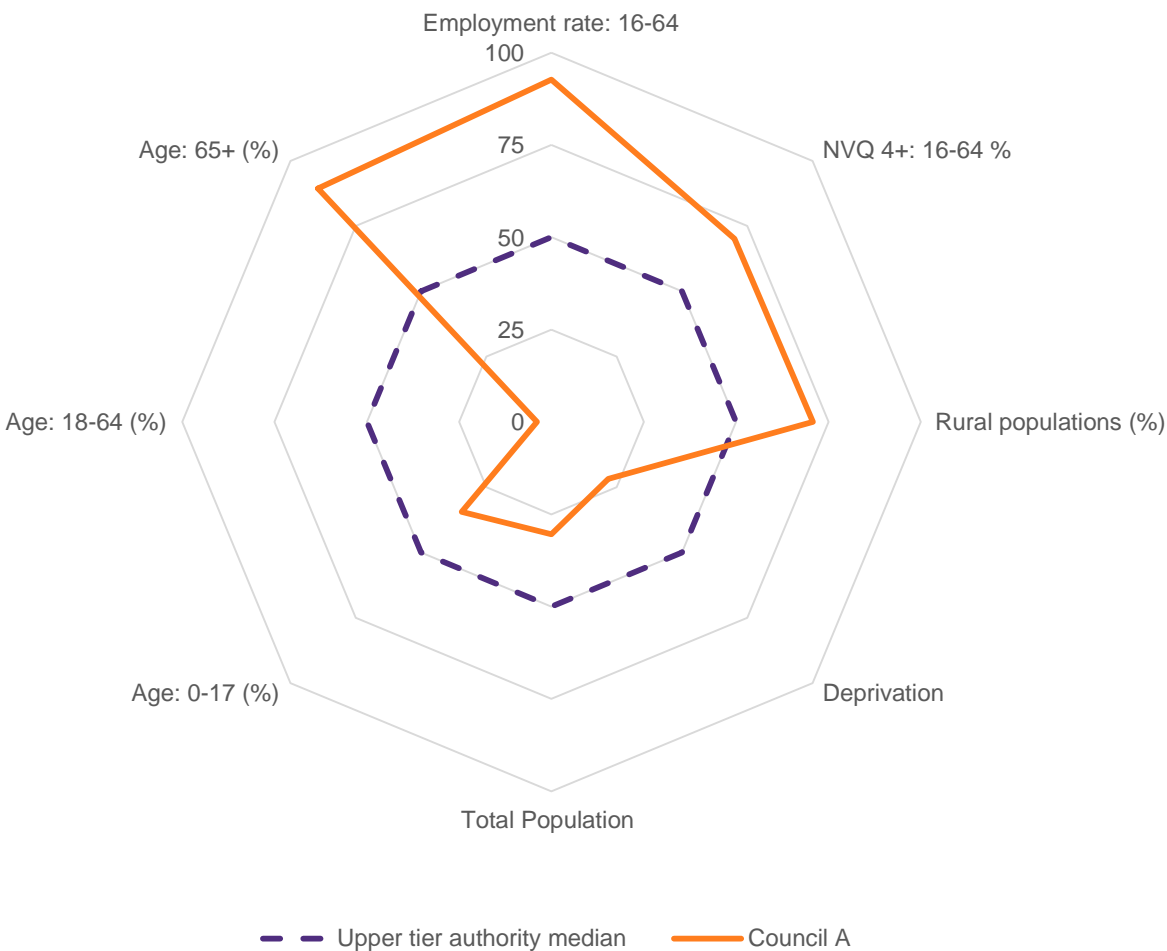
Diagnosing the issues, identifying the levers and understanding the impact

Council A



Council A: CFO Insights profile

Socioeconomic profile



Financial profile

Unit cost	Council A
Total Education Services	Low
Total Children Social Care	Very Low
Total Adult Social Care	High
Total Public Health	Low
Total Highways & Transport Services	Average
Total Housing Services	High
Total Cultural & Related Services	Average
Total Environmental & Regulatory Services	High
Total Planning & Development Services	Average
Total Central Services	Average
Total Other Services	Very Low
Total Service Expenditure	Low

Source: CFO Insights

Council A: CFO Insights profile

Socioeconomic profile



Financial profile

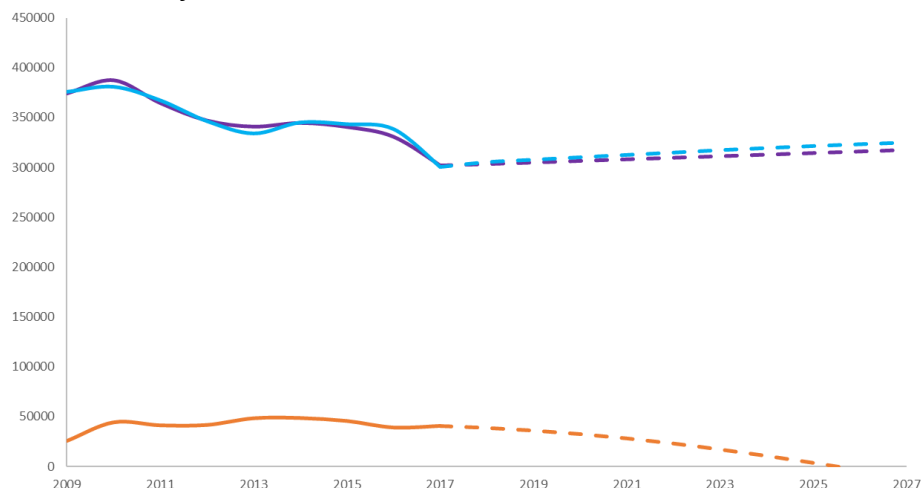
Unit cost	Council A
Total Education Services	Low
Total Children Social Care	Very Low
Total Adult Social Care	High
Total Public Health	Low
Total Highways & Transport Services	Average
Total Housing Services	High
Total Cultural & Related Services	Average
Total Environmental & Regulatory Services	High
Total Planning & Development Services	Average
Total Central Services	Average
Total Other Services	Very Low
Total Service Expenditure	Low

Source: CFO Insights

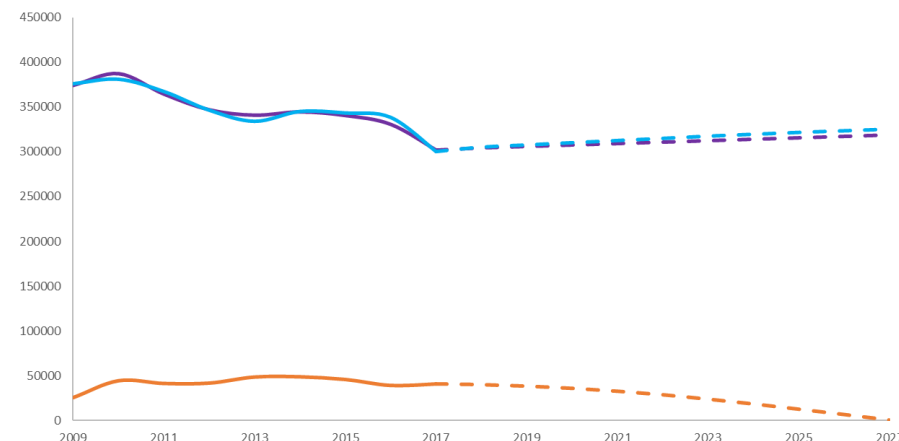
Council A

Expenditure
Income
Reserves

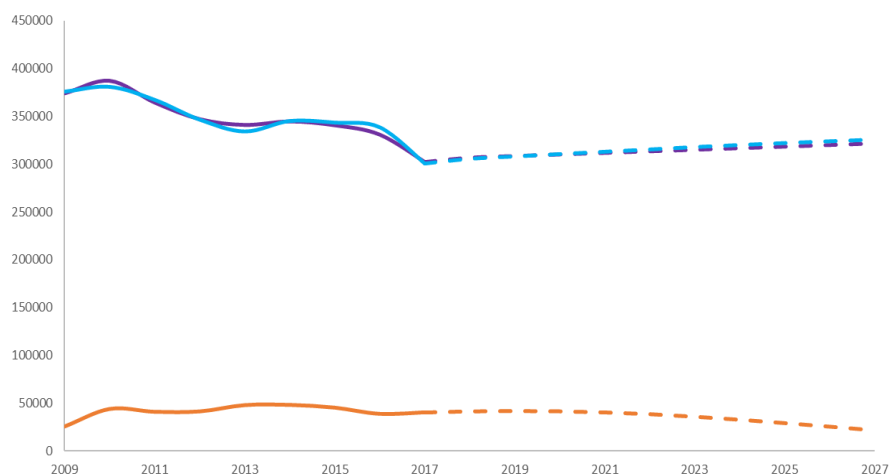
Baseline: year becomes at risk: 2023



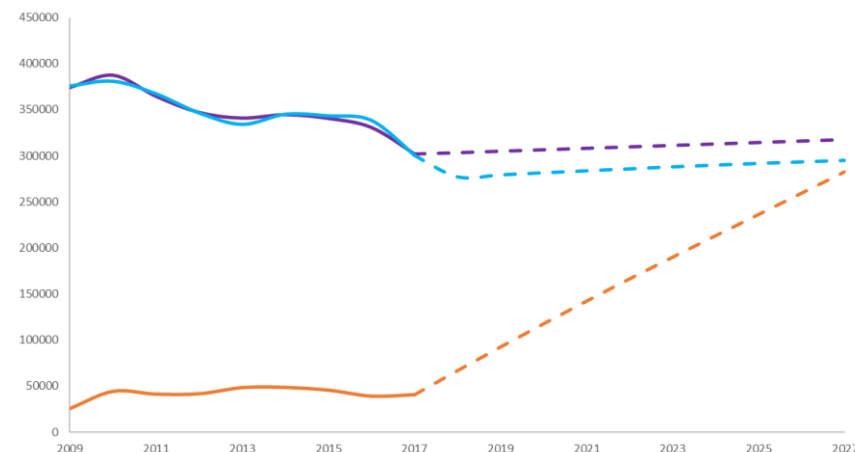
NNDR increase 3%: year becomes at risk: 2024



Council tax increased by 3%: year becomes at risk: 2028



Social care expenditure at lowest of near neighbour group: year becomes at risk: n/a



Source: Grant Thornton Financial Foresight

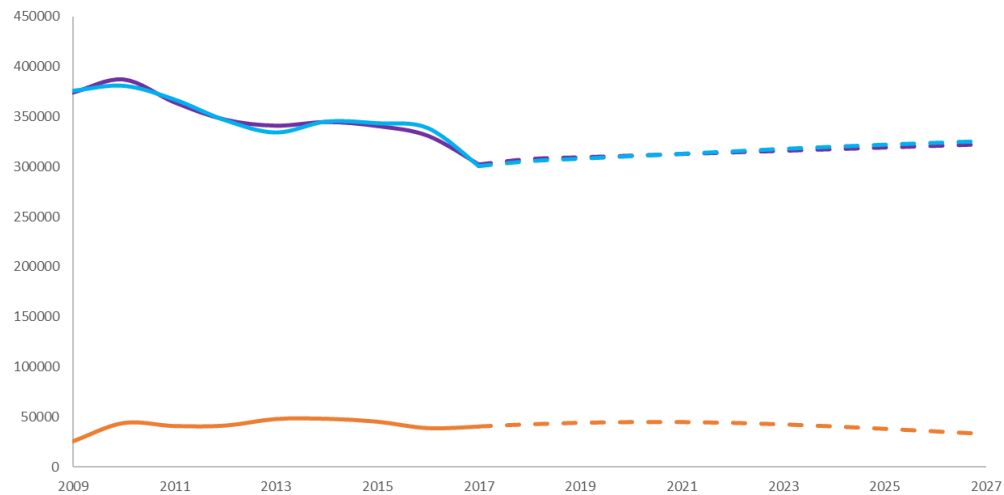
Council A

Expenditure

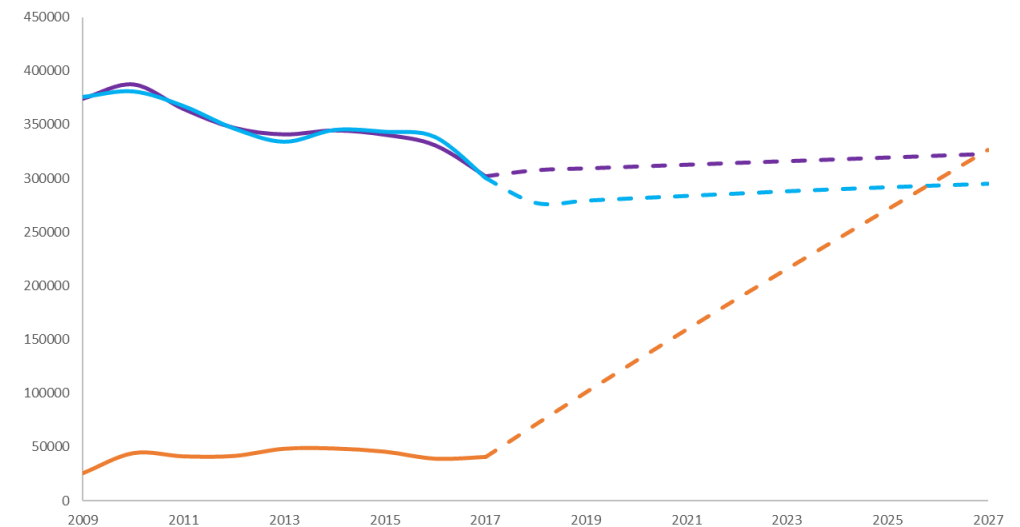
Income

Reserves

Council tax increased by 3% and NNDR increased by 3%: year becomes at risk: n/a

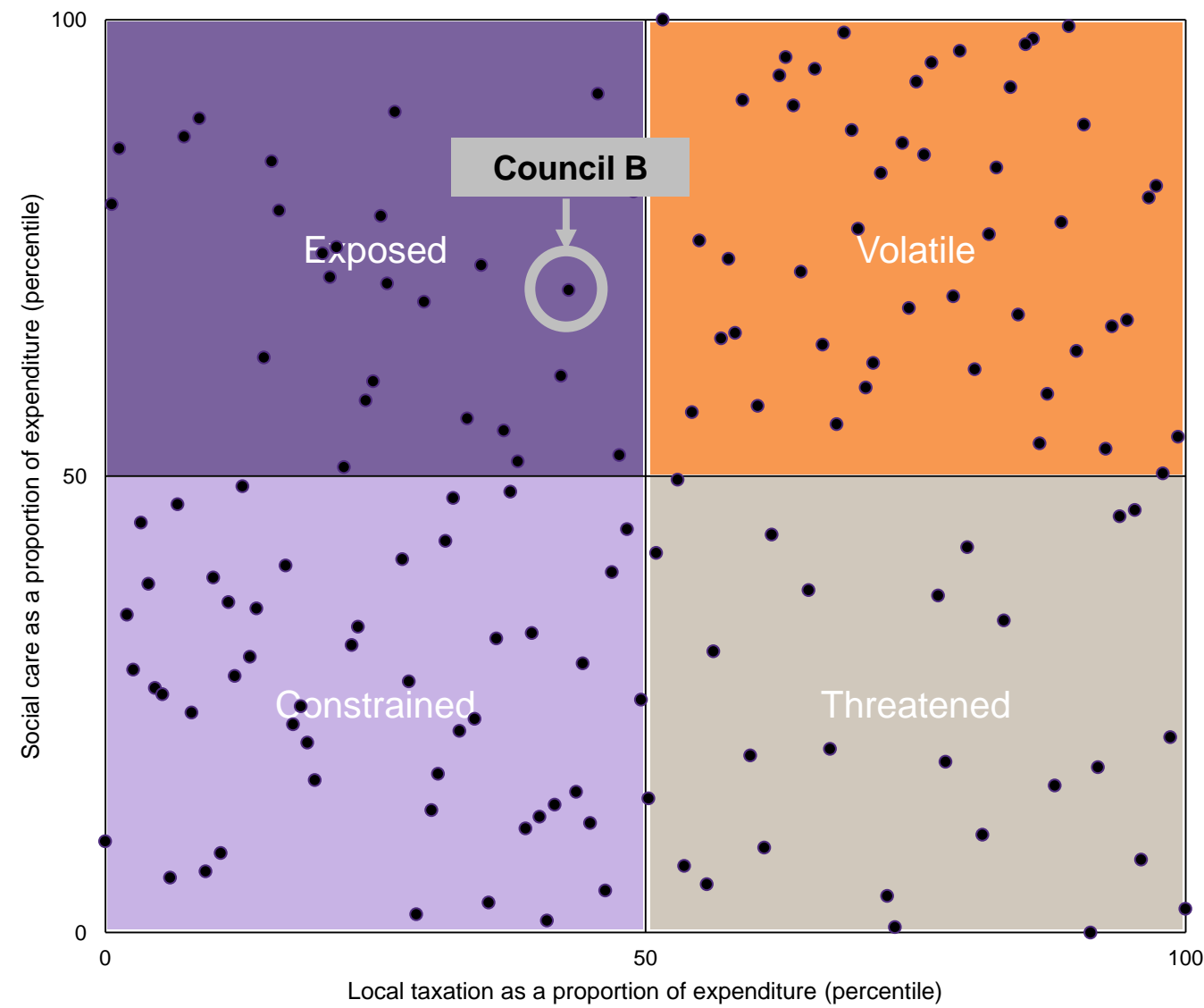


Council tax increased by 3%, NNDR increased by 3% and social care expenditure at lowest of NN group: year becomes at risk: n/a



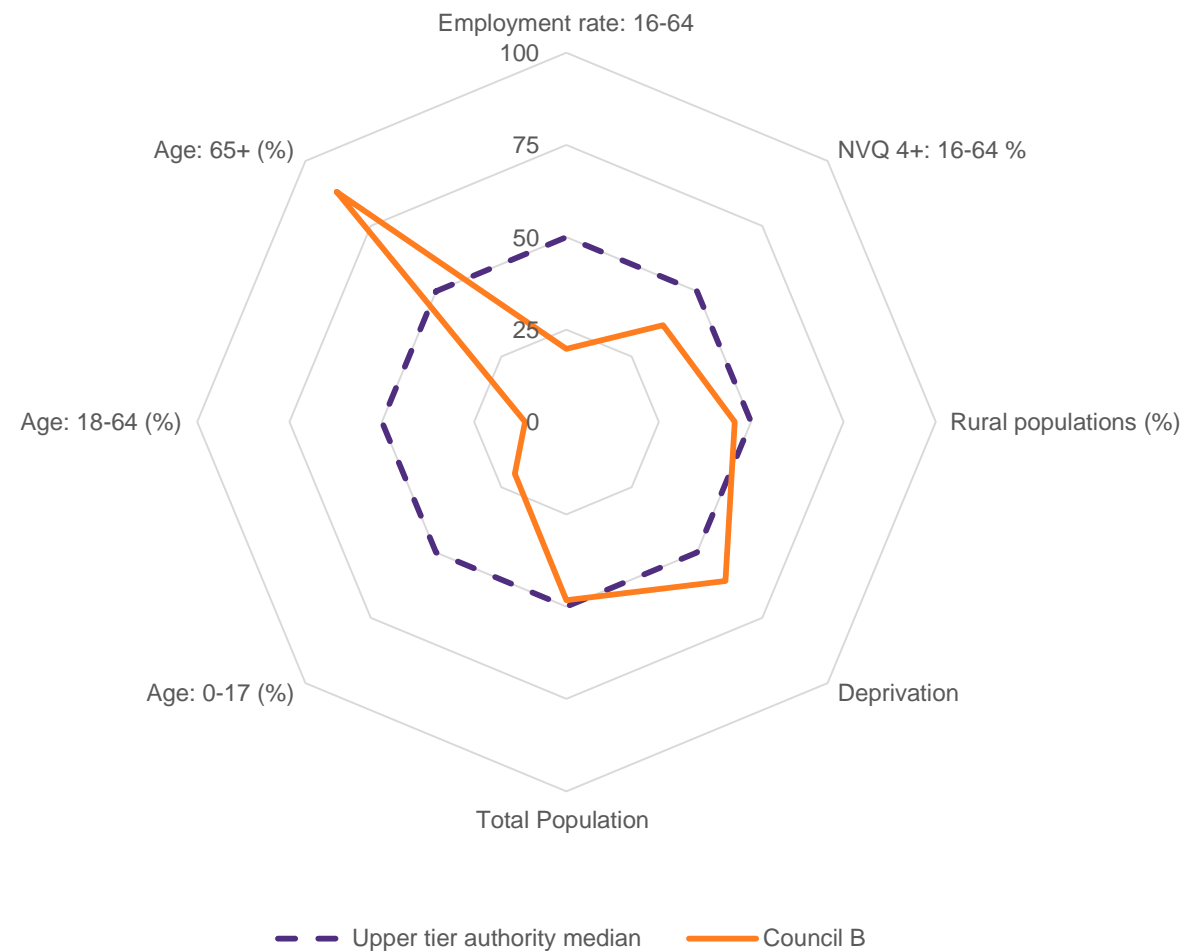
Source: Grant Thornton Financial Foresight

Council B



Council B: CFO Insights profile

Socioeconomic profile



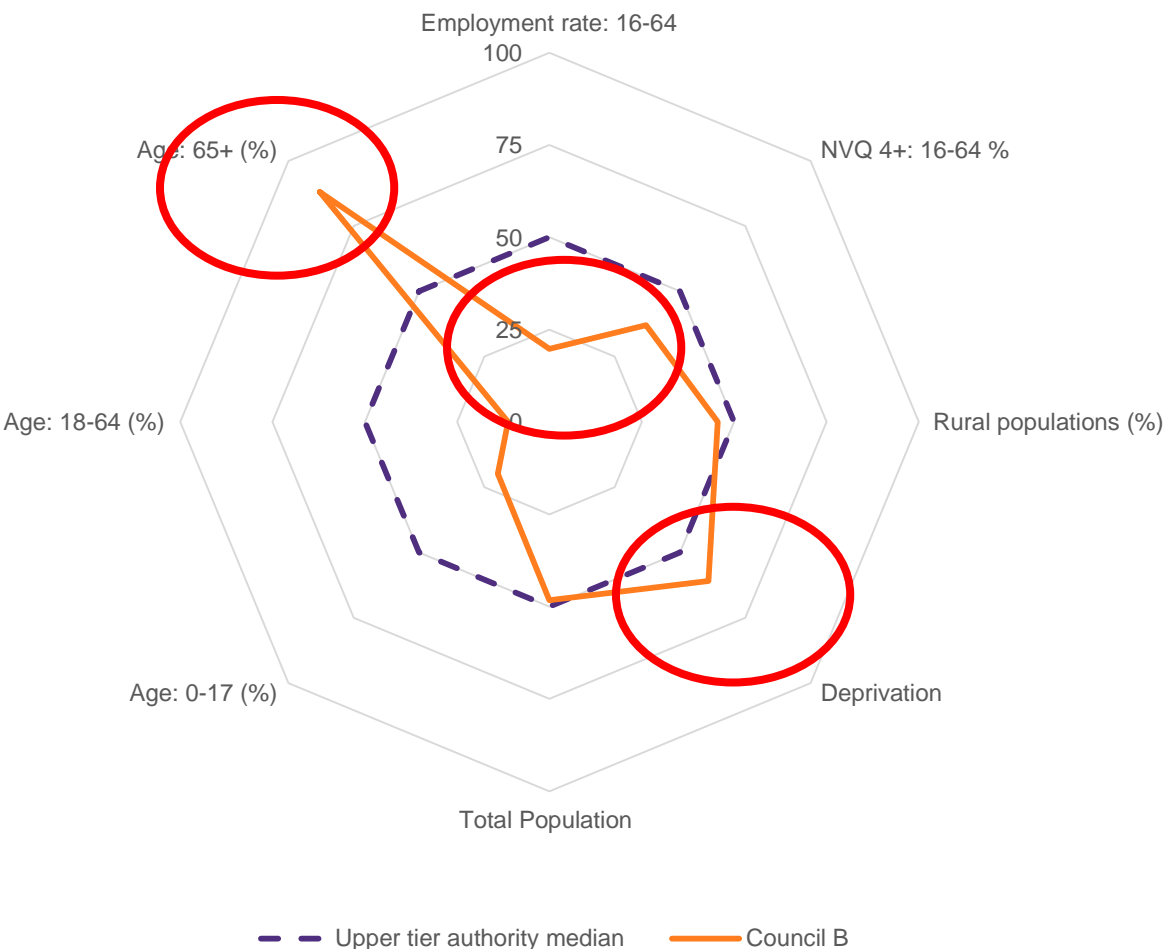
Financial profile

Unit cost	Council B
Total Education Services	Very High
Total Children Social Care	Average
Total Adult Social Care	Very High
Total Public Health	High
Total Highways & Transport Services	Low
Total Housing Services	Average
Total Cultural & Related Services	Average
Total Environmental & Regulatory Services	Low
Total Planning & Development Services	High
Total Central Services	Very Low
Total Other Services	High
Total Service Expenditure	Average

Source: CFO Insights

Council B: CFO Insights profile

Socioeconomic profile



Financial profile

Unit cost	Council B
Total Education Services	Very High
Total Children Social Care	Average
Total Adult Social Care	Very High
Total Public Health	High
Total Highways & Transport Services	Low
Total Housing Services	Average
Total Cultural & Related Services	Average
Total Environmental & Regulatory Services	Low
Total Planning & Development Services	High
Total Central Services	Very Low
Total Other Services	High
Total Service Expenditure	Average

Source: CFO Insights

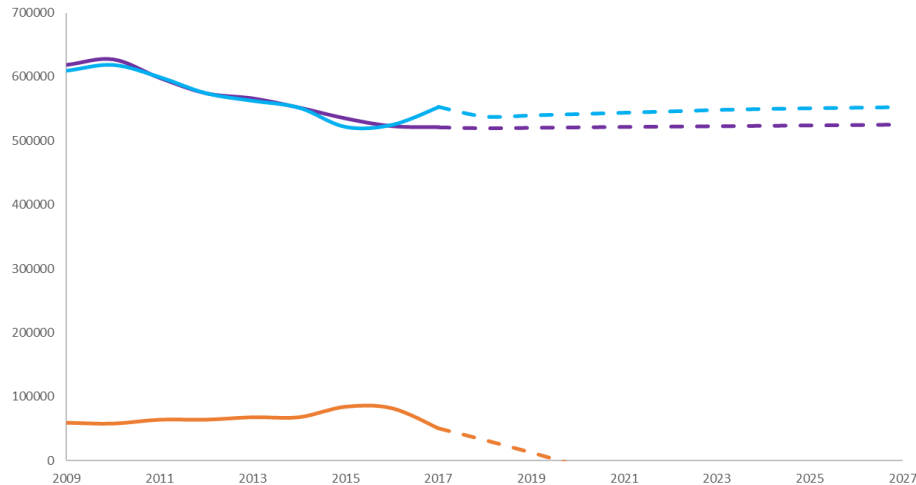
Council B

Expenditure

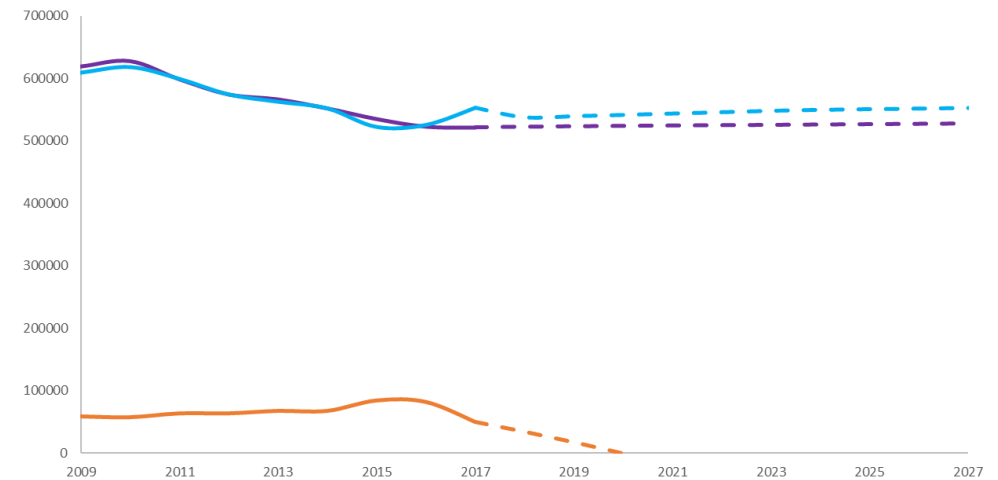
Income

Reserves

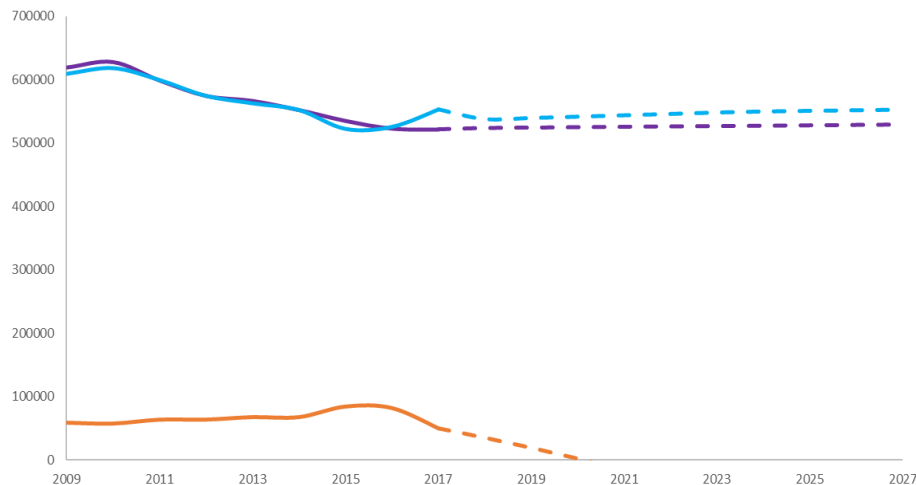
Baseline: year becomes at risk: 2019



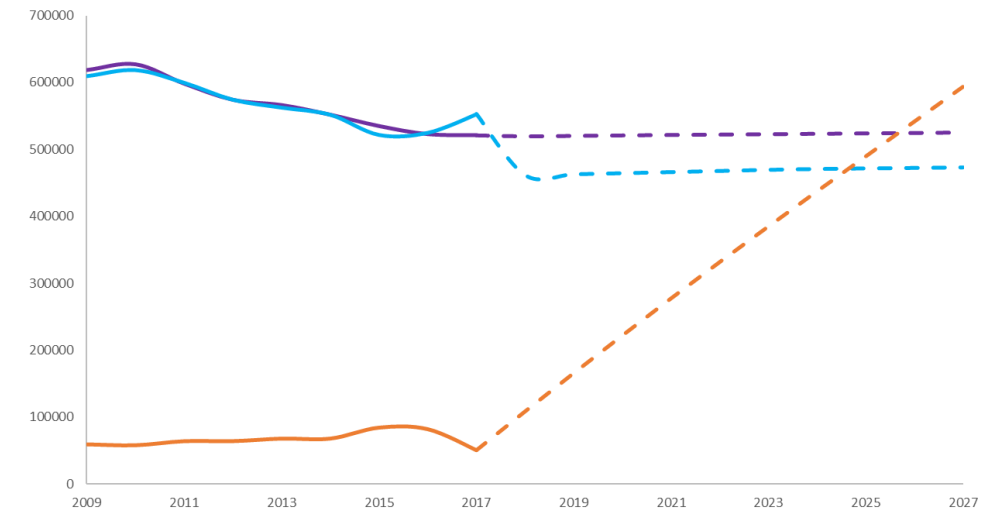
NNDR increase 3%: year becomes at risk: 2019



Council tax increased by 3%: year becomes at risk: 2019



Social care expenditure at average of near neighbour group: year becomes at risk: n/a



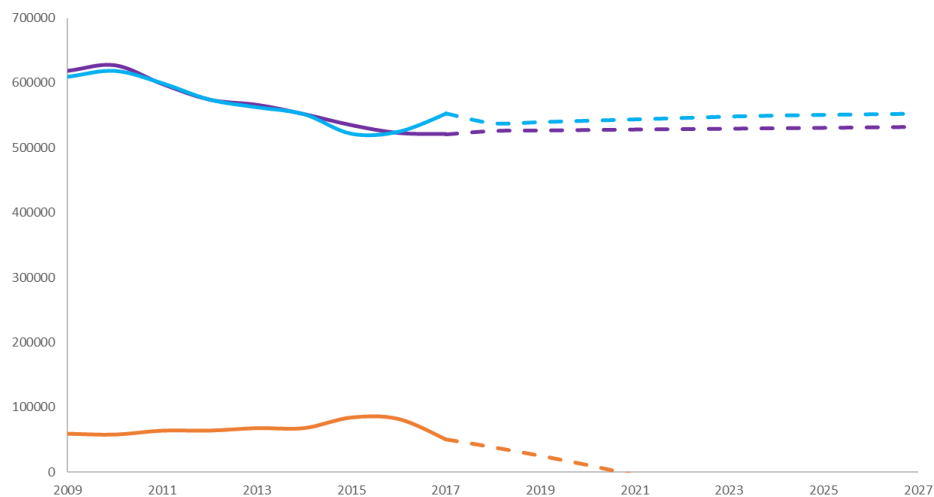
Source: Grant Thornton Financial Foresight



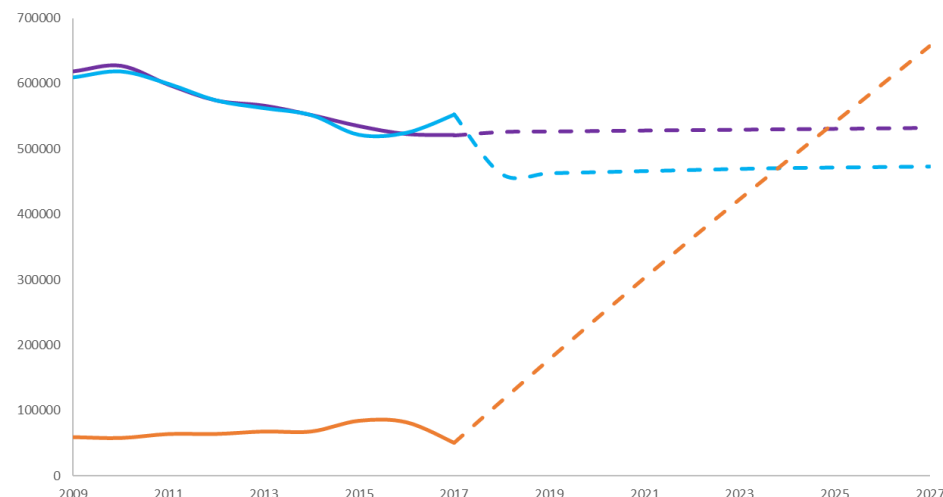
Council B

Expenditure
Income
Reserves

Council tax increased by 3% and NNDR increased by 3%: year becomes at risk: 2019

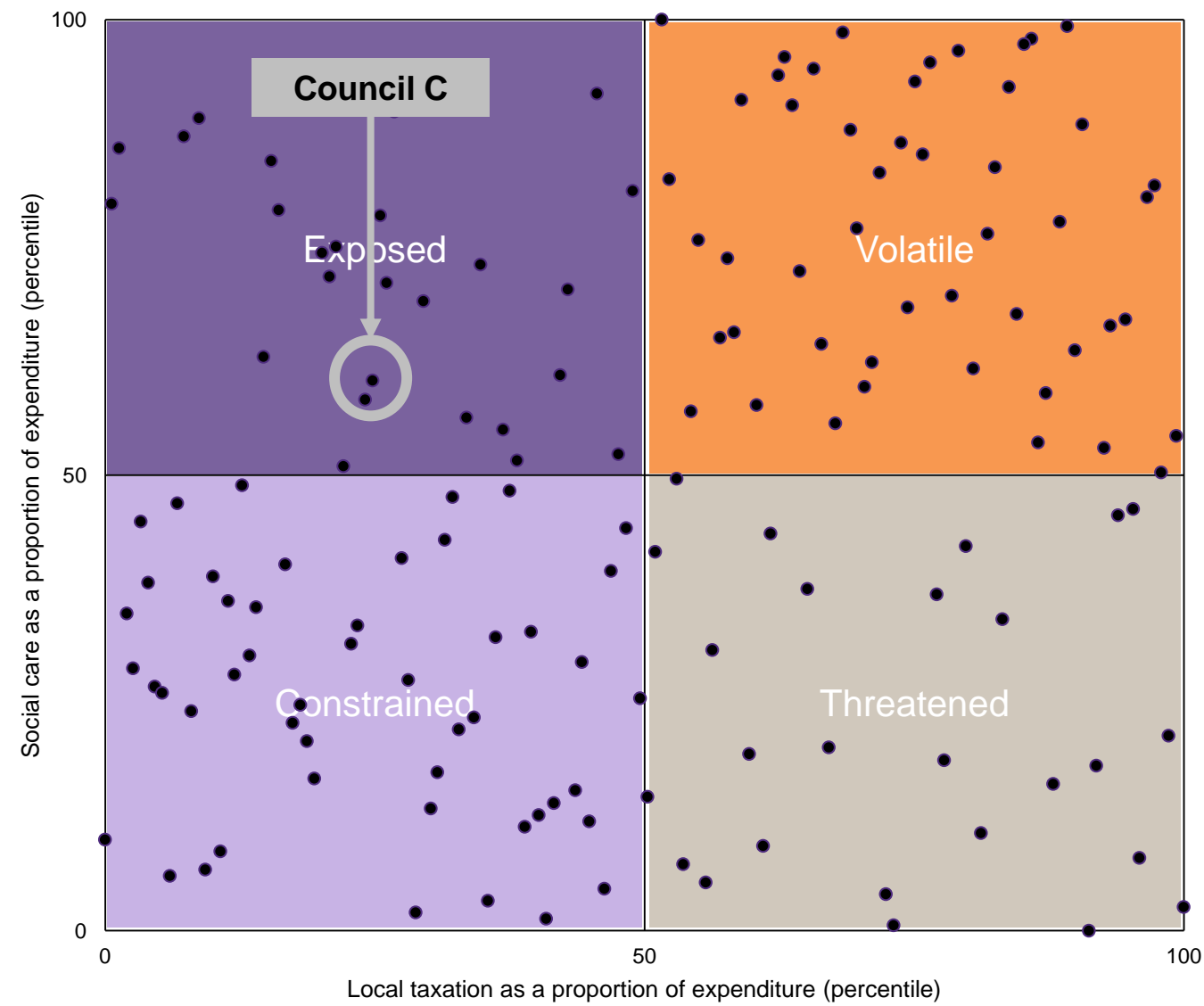


Council tax increased by 3%, NNDR increased by 3% and social care expenditure at average of NN group: year becomes at risk: n/a



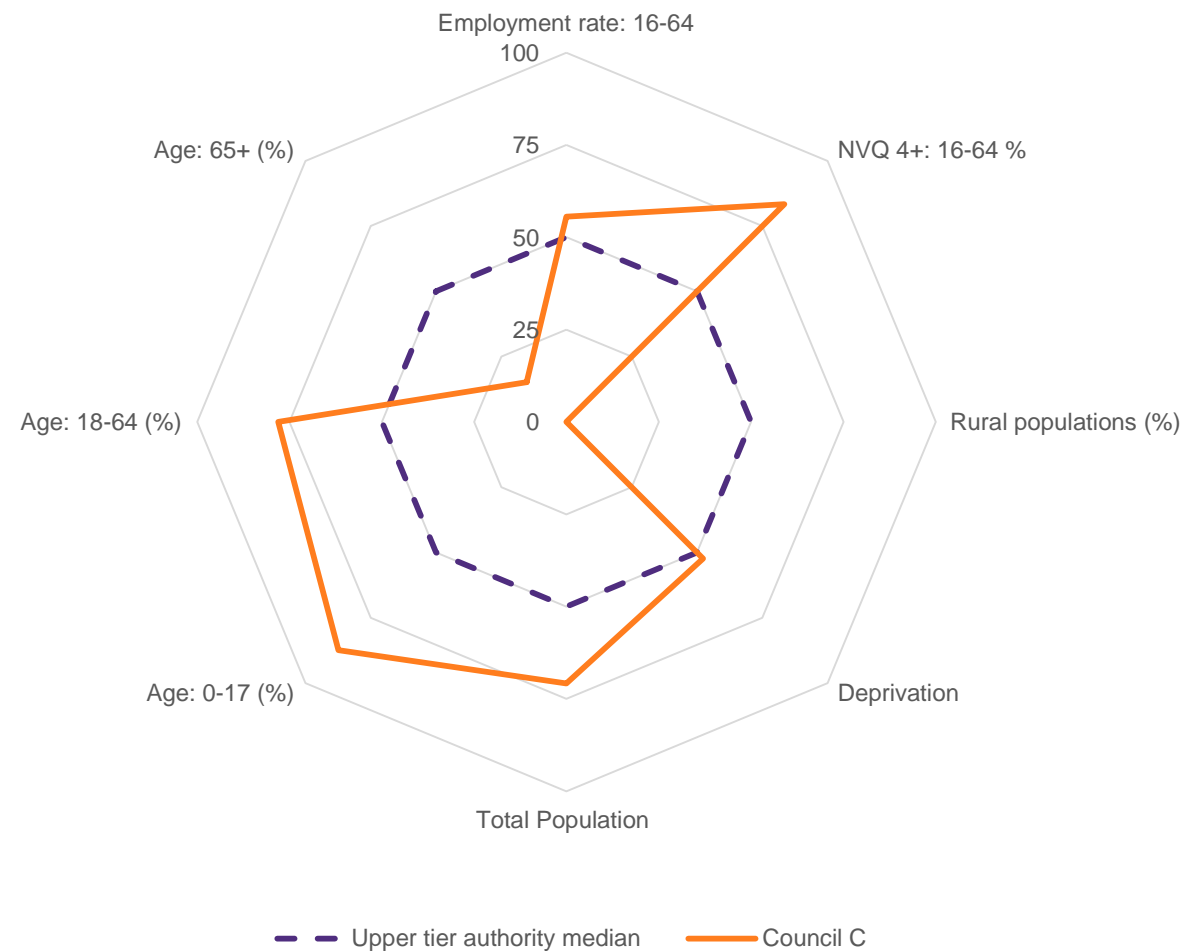
Source: Grant Thornton Financial Foresight

Council C



Council C: CFO Insights profile

Socioeconomic profile



Financial profile

Unit cost	Council C
Total Education Services	Very High
Total Children Social Care	Average
Total Adult Social Care	High
Total Public Health	High
Total Highways & Transport Services	Very High
Total Housing Services	Very High
Total Cultural & Related Services	Low
Total Environmental & Regulatory Services	Very Low
Total Planning & Development Services	Very Low
Total Central Services	Low
Total Other Services	Very Low
Total Service Expenditure	Very High

Source: CFO Insights

Council C: CFO Insights profile

Socioeconomic profile



Financial profile

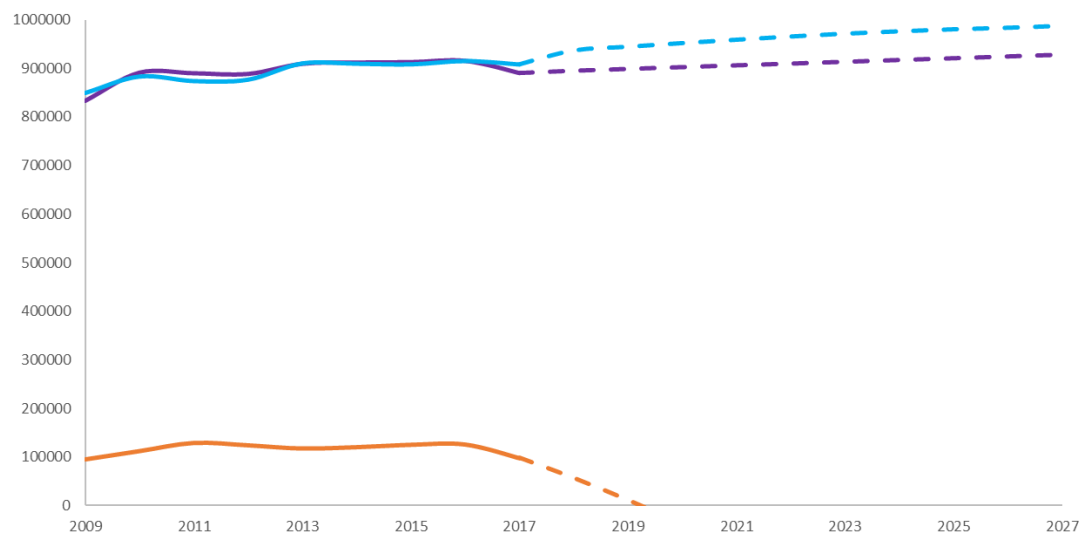
Unit cost	Council C
Total Education Services	Very High
Total Children Social Care	Average
Total Adult Social Care	High
Total Public Health	High
Total Highways & Transport Services	Very High
Total Housing Services	Very High
Total Cultural & Related Services	Low
Total Environmental & Regulatory Services	Very Low
Total Planning & Development Services	Very Low
Total Central Services	Low
Total Other Services	Very Low
Total Service Expenditure	Very High

Source: CFO Insights

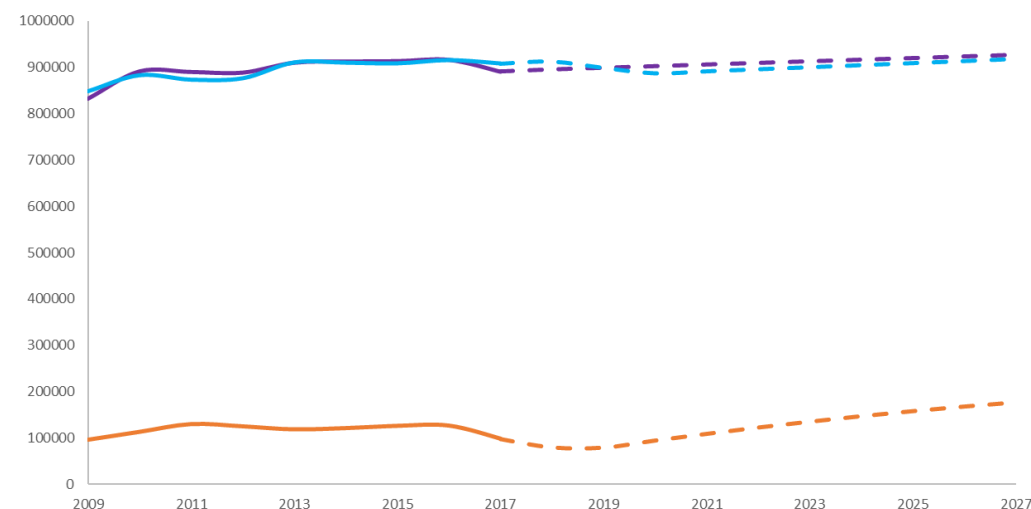
Council C

Expenditure
Income
Reserves

Baseline: year becomes at risk: 2019

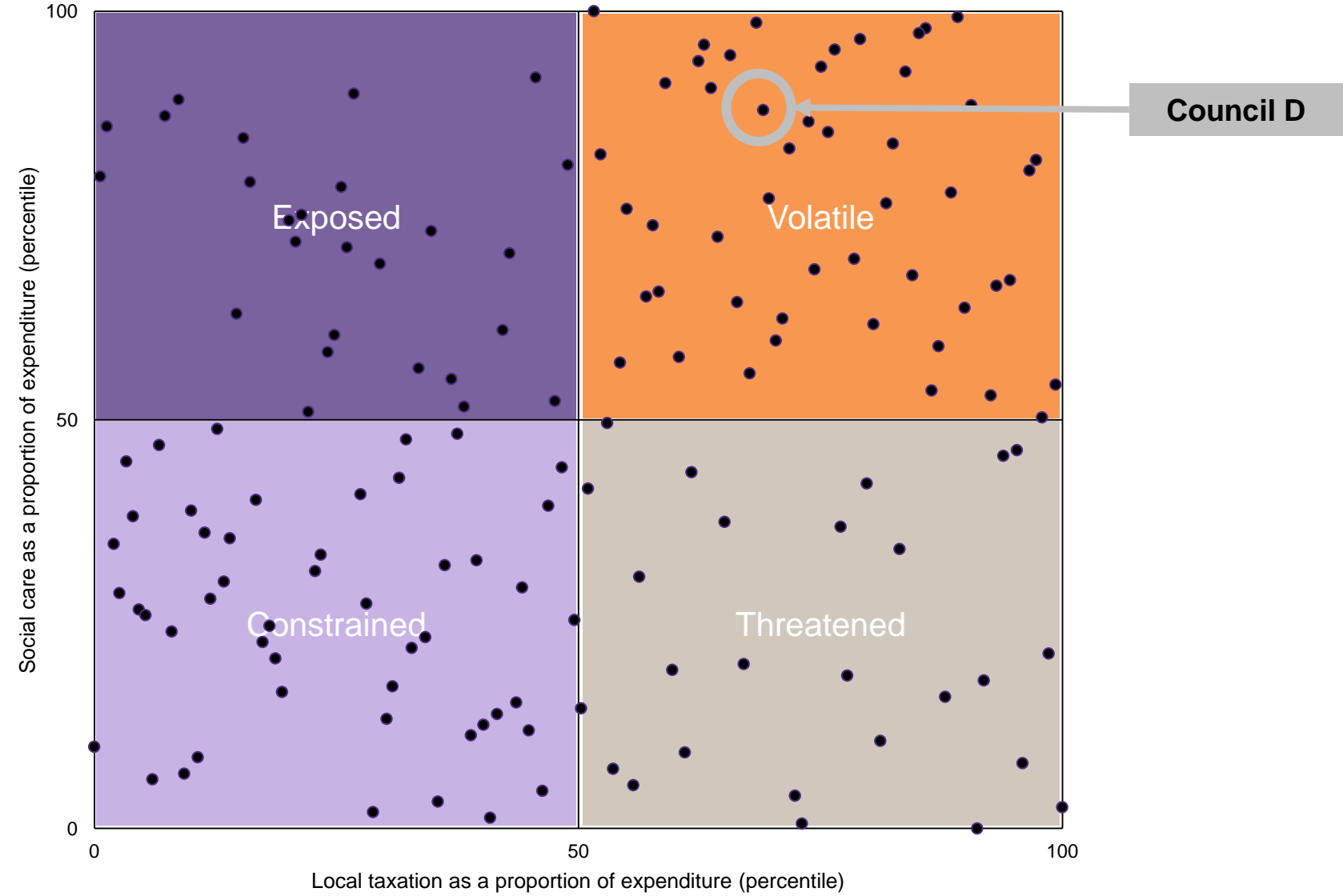


Transformation: Reduction in expenditure of 2% over 3 years (equivalent to £20m): year becomes at risk: n/a



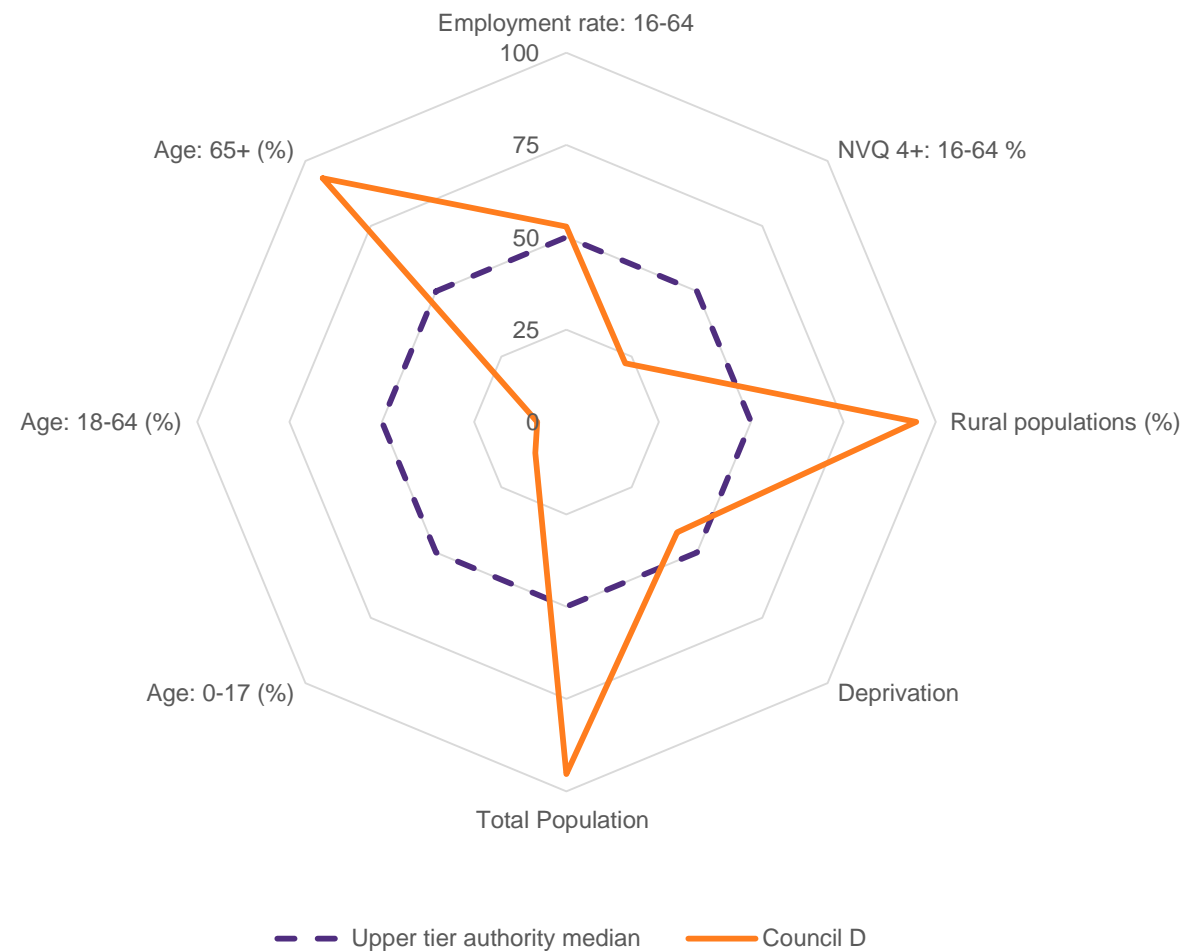
Source: Grant Thornton Financial Foresight

Council D



Council D: CFO Insights profile

Socioeconomic profile



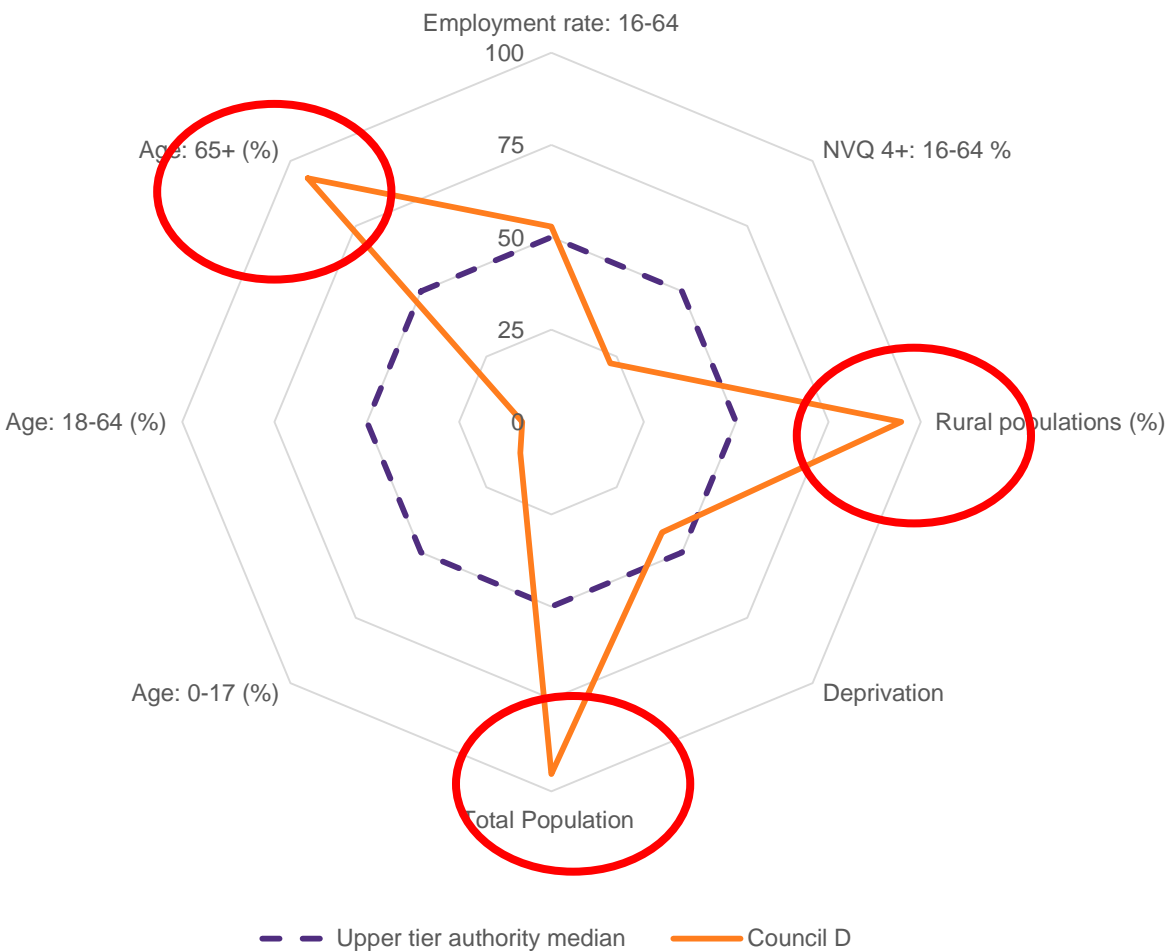
Financial profile

Unit cost	Council D
Total Education Services	Low
Total Children Social Care	Average
Total Adult Social Care	High
Total Public Health	Low
Total Highways & Transport Services	High
Total Housing Services	Very Low
Total Cultural & Related Services	Very Low
Total Environmental & Regulatory Services	Low
Total Planning & Development Services	Very Low
Total Central Services	Very Low
Total Other Services	Very High
Total Service Expenditure	Low

Source: CFO Insights

Council D: CFO Insights profile

Socioeconomic profile



Financial profile

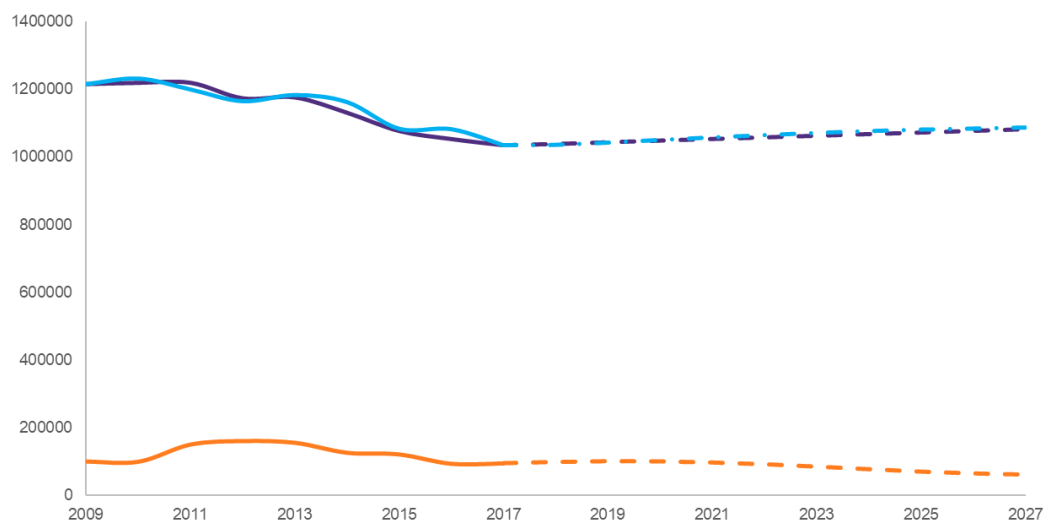
Unit cost	Council D
Total Education Services	Low
Total Children Social Care	Average
Total Adult Social Care	High
Total Public Health	Low
Total Highways & Transport Services	High
Total Housing Services	Very Low
Total Cultural & Related Services	Very Low
Total Environmental & Regulatory Services	Low
Total Planning & Development Services	Very Low
Total Central Services	Very Low
Total Other Services	Very High
Total Service Expenditure	Low

Source: CFO Insights

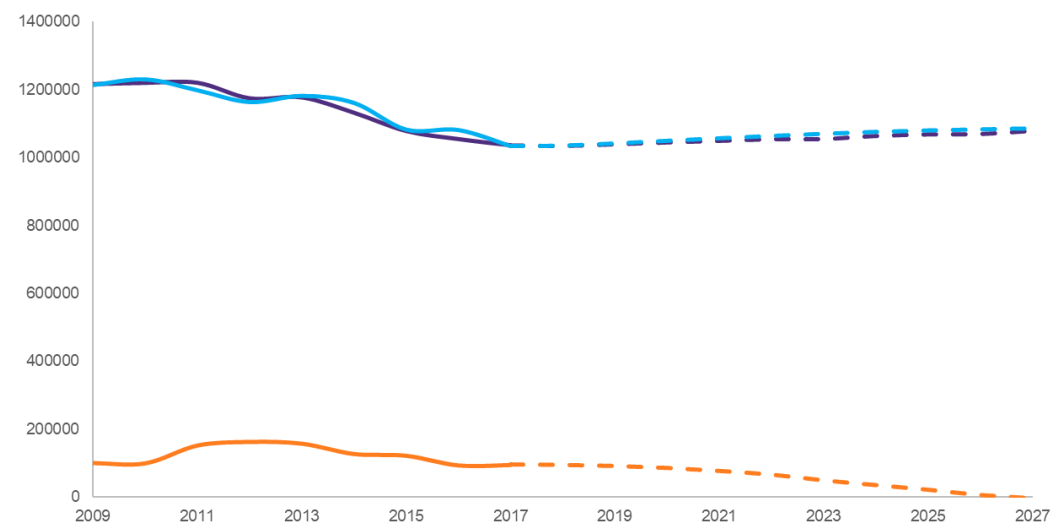
Council D

Expenditure
Income
Reserves

Baseline: year becomes at risk: n/a



Brexit (WTO mitigated): year becomes at risk: 2023



Source: Grant Thornton Financial Foresight

What's next

The six-step Foresight process.

Financial Strategy Accelerator

Engage.



At this pre-accelerator stage. We engage with key stakeholders to ensure we hit the ground running – we review the baseline Foresight model, key assumptions and Accelerator logistics.

Objectives.



We kick off by defining the objectives for the Accelerator. Asking what a successful and sustainable financial outcome looks like for your Council.

Baseline.



We run the baseline Foresight model and share outputs. We benchmark quantitatively and qualitatively using CFO Insights to identify opportunities and risks.

Strategy Mix.



We run the mixing desk component of Foresight. An interactive session seeking to arrive at the optimal financial strategy to achieve the Accelerator objectives. Foresight recalculates live for each mix to allow the team to keep score as we go. This feeds the Action Plan document.

Remedies.



The strategy mix identified to meet the objectives will define the scale of the challenge. In this phase of Foresight we identify the remedies to deliver the constituent parts of the Action Plan.

Act + Measure.



We deliver the Foresight model to you populated with the Strategy Mix.

We also prepare the Foresight Action Plan within 24 hours.

We convene a post Foresight meeting after 20, 40 and 60 days to measure progress.



