Financial Resilience

The following table provides CIPFAs ten tips for building financial resilience, and an assessment by the Council's S151 officer for PCC position:

No.	Tip	Description	S151 RAG
1.	**Build a culture of constructive challenge**	The section 151 officer is legally responsible for signing off a deliverable budget; setting targets doesn't meet that test. A culture of constructive challenge in each part of the organisation is essential. Departmental managers and the political leadership need to question constantly not just what is being proposed but also how it will be delivered.	**Amber**
2.	**Make medium-term savings plans**	Savings should be planned over at least three years to allow any policy changes to be agreed and delivered. This is far more likely to result in financial objectives being met than trying to plan and implement savings in a single year.	**Red**
3.	**Decide on a longer-term plan, not a target**	While longer-term savings plans will inevitably include more detail in the first two or three years, councils need a good understanding of where they will find the savings in later years. Simply quoting a future savings target that is not based on the realities of the authority's operations is storing up serious risk.	**Red**
4.	**Don't deny the details**	Well-managed councils will produce high-quality plans and these need enough detail to be credible. There is a tendency to provide plenty of information on small savings while discussing the big ones in broad terms that lack precision about what needs to be done. Relentless focus on the detail is essential to turning policy goals into savings.	**Amber**
5.	**Watch for warning signs**	Authorities need to look out for warning signs that savings plans may not be deliverable, such as a department with a history of in-year overspends. If a unit has missed its savings target one year, it is highly unlikely to deliver a more ambitious savings plan the following year without significant changes to its management, operations and culture.	**Green**
6.	**Be realistic rather than optimistic**	A repeated failure to deliver financial plans may be a sign that optimism bias is creeping into the calculations. This could include making unrealistic assumptions about the size and speed of savings. This builds up problems for the future. A culture of constructive challenge excludes optimism bias in favour of realism bias, built on rigorous examination of goals, underlying assumptions and implementation plans.	**Green**
7.	**Get financial team feedback**	For chief finance officers, the quality of financial challenge in departmental forecasts regarding pressures and savings is crucial. The finance team needs to constructively challenge departments on their behalf – a key warning sign that plans could fail is a lack of feedback to the CFO on such challenges.	**Amber**
8.	**Have the right skills**	Being more commercial needs to happen in step with robust due diligence, knowing about the pitfalls and risks, having effective governance, managing it tightly and acting proportionately. This means having the right skills in place	**Amber**

9.	**Make realistic assumptions**	When considering a commercial scheme, it is crucial to have balanced assumptions about the likelihood of success, how much income will be generated and how quickly it will flow.	**Amber / Green**
10.	**Don't bank on business rates**	Councils are well aware that they are likely to receive additional income from business rates retention. However, they need to be prudent rather than optimistic in the anticipation of receiving extra revenue from this source over the medium term.	**Amber / Green**