

Financial sustainability

Functional readiness to meet future challenges

October 2022



Outline

Given the external environment, what can we expect for public finances?

What does the medium term look like for local government?

What do you need to do to thrive under these challenges?

Given the external context, what can we expect for public sector finance?

- Little to no extra financial support for the public sector
 - *risk to existing grant allocations*
 - *what level of funding will be available for social care reform*
- Demand and costs for services will increase across all public services
- Expect further volatility and changes in direction and policy

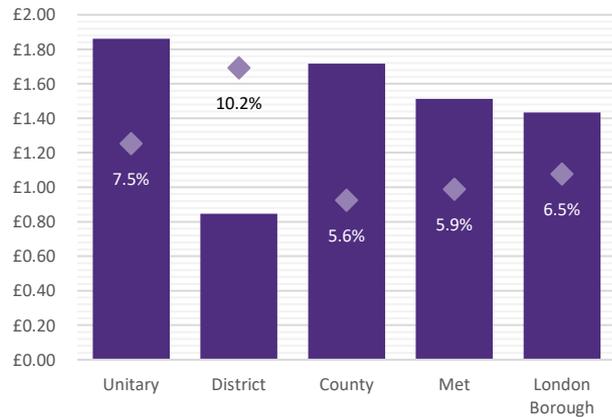
Questions this raises for your medium term forecasts

- How reliant is your projections on continued or new grant funding?
- Have you stress tested your model and how would you deal with one-off shocks?
- How fixed is your spend – where can you adapt to changes in policy to take advantage of short term opportunities?
- Are your savings plans aligned to your strategic goals?
- How developed is your conversation with the citizen around prioritisation of future service provision?

Our latest foresight model indicates a £7.3 bn gap in local government finance by 2025/26

Without further investment, a national gap £7.3 billion by 2025/26, with a £1.1 billion gap in the South East, reflecting 6% of net revenue budget.

Breakdown of funding gap by Authority type



Breakdown of funding gap by region

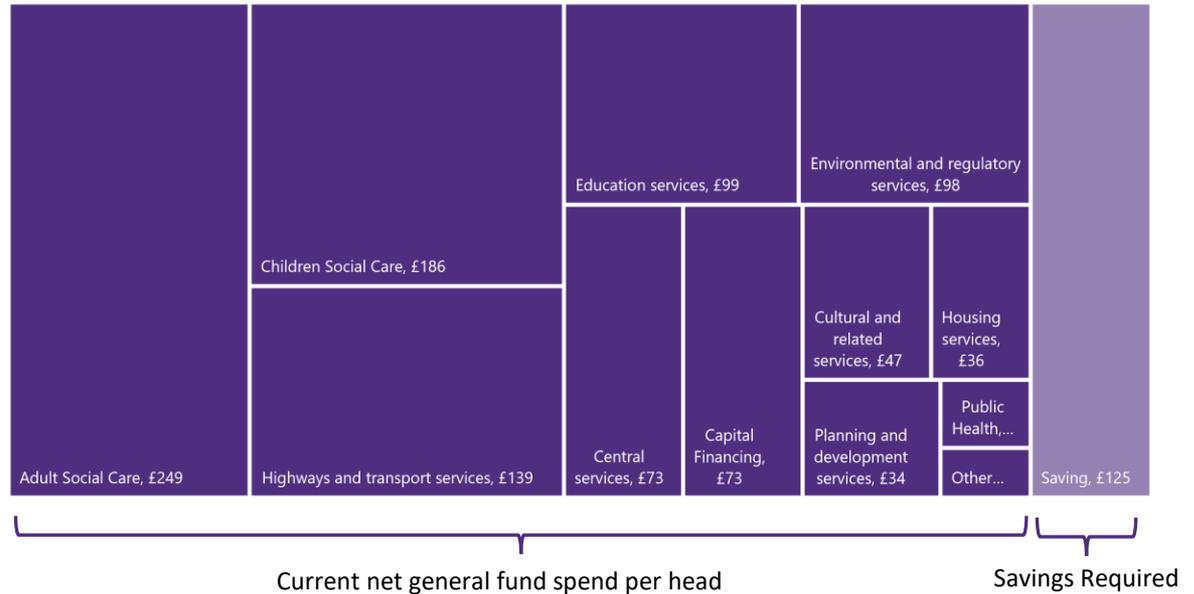


£7.3 bn equates to saving of £125 per head

Local government will need to make on average savings of over £125 per head of population by 2025/26.

This is more than the combined average spend per head on homelessness, sports and leisure facilities, parks and open spaces, libraries, waste collection and disposal, and recycling.

Breakdown of current spend by head of population for key service areas

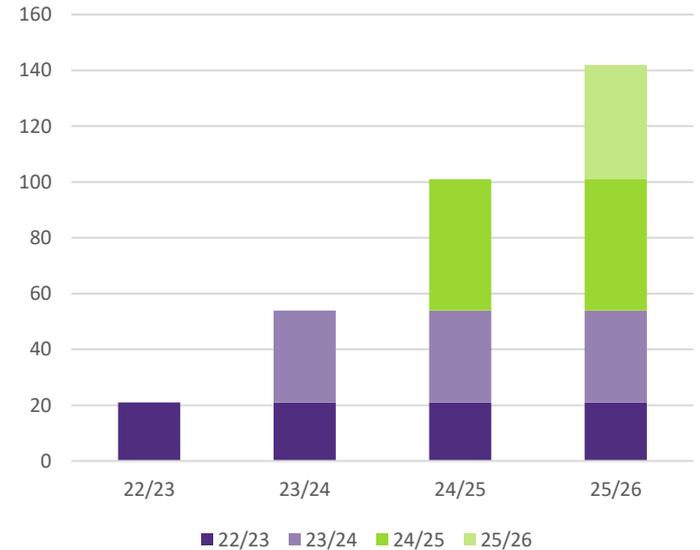


Is your Council running out of reserves next year?

Without taking action 1 in 6 Council's will run out of reserves in the next year.

The outlook remains bleak over the medium term with 142 Councils fully exhausting their Earmarked Reserves and Unallocated Reserves by 2026.

Number of authorities forecast to fully utilise current unallocated and earmarked reserves

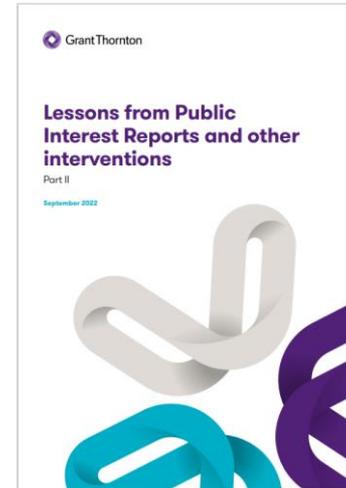


Is your finance function ready to meet the challenge ahead?

Finance functions are front and centre to support organisations deliver their strategic objectives within this challenging context.

You have demonstrated this time and time again through a decade of austerity cuts, Covid-19 and current cost of living crisis.

However you need to continue to be on top of your game without being, you risk significant failings across the organisation as a whole.



Cultural and governance issues



Failure to understand and manage the risks associated with external companies



Failure to address and resolve relationship difficulties between senior officers and members



Financial capability and capacity

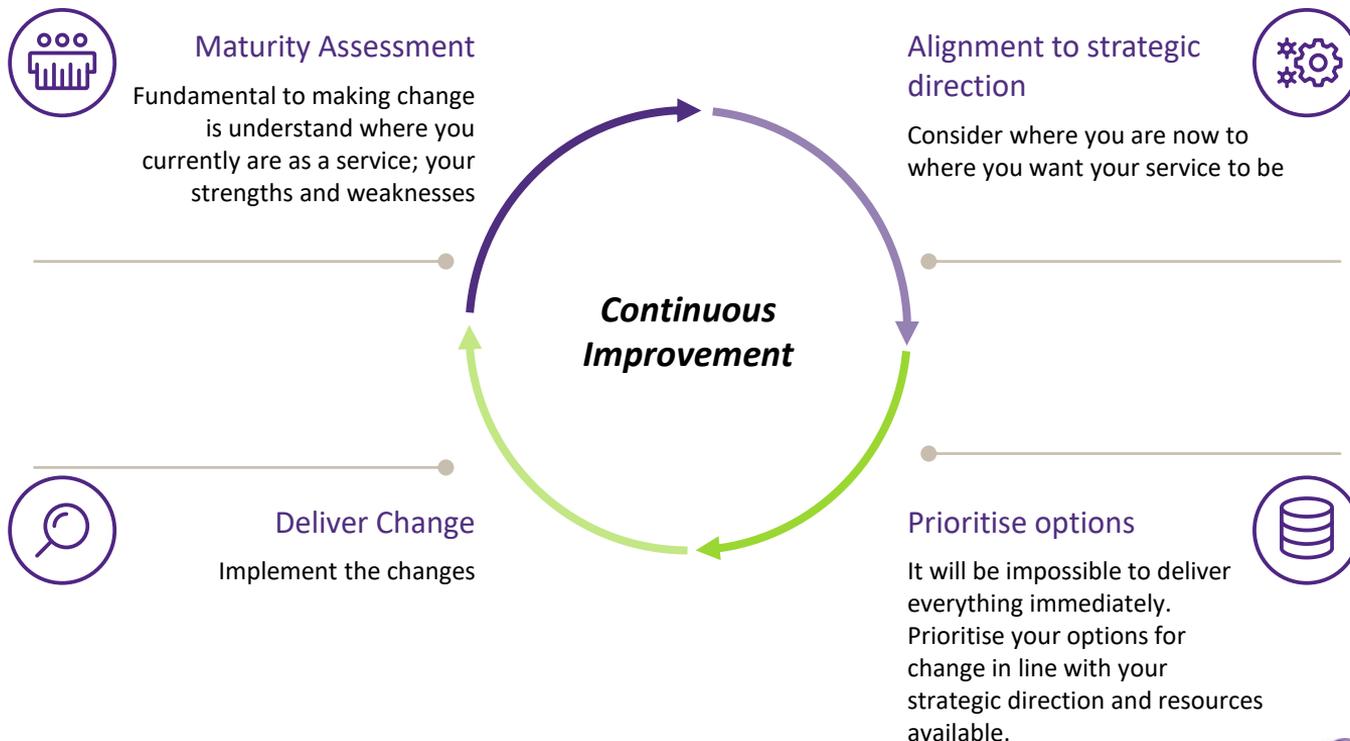


Audit committee effectiveness

What does a high functioning finance team look like?

Areas	Low maturity	High maturity
 Strategy	No clarity in what the service offer to organisation is - constantly firefighting and reactive to operational decisions	Has a clear, understandable purpose, vision and offer which directs work driving the organisation forward
 Structure and Capabilities	No strategic approach to workforce and delivery of your key services reliant on few “star performers” to meet demands	A pipeline of progression and development across the function of key skills to give high resilience across all requirements
 Digitally enabled delivery	Lots of ad-hoc spreadsheets for data, project management, reports.	Smooth integration of variety of systems providing relevant information and accessible through clear front-end
 Processes	Disorganised and ad-hoc, dependent on key individuals with no consistency or resilience	Seamlessly operating in the background to provide high quality information to finance and decision makers
 Service delivery	Reactive and uncoordinated – how your team interacts with services is inconsistent, with highly mixed customer experience	An agile and proactive team working seamlessly across all finance competencies focussed around high quality customer experience

How can you get ahead now!



Further Information

Lessons from recent Public Interest Reports | Grant Thornton

<https://www.grantthornton.co.uk/insights/lessons-from-recent-public-interest-reports/>

One in six councils at risk of running out of money next year | Grant Thornton

<https://www.grantthornton.co.uk/news-centre/one-in-six-councils-at-risk-of-running-out-of-money-next-year/>

Party Conference 2022: What next for local leaders? | Grant Thornton

<https://www.grantthornton.co.uk/insights/opinion-blog/party-conference-2022-what-next-for-local-leaders/>



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