University of Essex

CIPFA

Executive Summary
Better understanding financial resilience through an innovative toolkit

21 March 2024 - Chelmsford Baptist Church, Victoria Rd S, Chelmsford CM1 1LN

This document summarises the main points discussed at the workshop "*Better understanding financial resilience through an innovative toolkit*" organised by the University of Essex, in collaboration with CIPFA South East (SE), where participants had a hands-on opportunity to explore the toolkit and engage in open discussions and breakout groups to exchange knowledge about financial resilience. Our evidence-based[1] toolkit is being developed by Ileana Steccolini, André Lino, and Bernard Dom. The workshop was facilitated by Jeffrey Matsu (CIPFA), André Lino (University of Essex) and Bernard Dom (Nottingham Trent University), and funded by the University of Essex internal Policy Support Fund programme. The programme is a University's strategic initiative to increase and speed up the beneficial social, economic, policy, and environmental impacts of our research at home and abroad.

The workshop was attended by nineteen participants - comprising researchers (University of Essex, Nottingham Trent University, and Getulio Vargas Foundation – Brazil), representatives from the Chartered Institute of Public Finance and Accountancy (CIPFA), East of England Local Government Association (EELGA), Local Government Association (LGA), and nine members from seven LAs (among S151 officer, internal audit, and councillor roles). Participants were introduced to the research on Financial Resilience and the key features of the evidence-based toolkit, before immersing on an interactive session on utilising the toolkit for self-assessment. Based on the hands-on experience, participants collectively reflect on using the toolkit to build financial resilience – as discussed below:

1. First thoughts: Internal dialogue vs external benchmark

The participants observed that the toolkit is a powerful ***internal dialogue tool*** for LAs to better understand perceptions (and disparities of those) around organisational conditions for financial resilience across the organisation. Participants noted that while the toolkit is useful for individuals, organisations would get better use of it if a group of individuals or departments responded to it collectively. For instance, when using the toolkit, there would be extremes within different services or different areas. Thus, engagement from other management levels to input into the toolkit is crucial. Moreover, the flexibility of having management and lower-level staff use the toolkit to compare their views gives it a positive edge over other performance measurement tools/indexes. Overall, in areas where LAs are scoring lower, LAs can evaluate the process of mobilising and allocating scarce resources to enhance their resilience.

Regarding ***external benchmarking***, participants were more cautious. Questions raised include, whose [institutional] voices are being benchmarked? Are there similarities on the roles (and potential views) of the participants responding to the toolkit for comparison among LAs? To this end, it was confirmed that (1) filters and (2) role-based access to the toolkit are technologies that might help identify comparators that are authentic benchmarks. Moreover, participants stated that users must be able to have the confidence on the results of the tool – i.e., it must be answered honestly – and, as soon as the external benchmarking is introduced, that may become a risk. To this end, it was suggested to carefully present the external report of the toolkit not as type of league table (because it's not). It must be clear that the idea is just for councils to be able to contextualise where their position is on various measures of resilience, and how they may want to consider those in different strategies deployed locally.

[1] Our existing published research and the toolkit can be found at https://gfrtoolkit.wixsite.com/financial-resilience

2. Roundtable 1: Improvements, implementation and usage of the toolkit in LAs

The first breakout group acknowledged that the toolkit is ***easy to use*** and not too long, but some questions may require more ***guidance*** on their specific meaning (i.e., detailed guidance notes are needed to be provided for the final user). The ***5-point likert scale*** is not always useful, as some people may be tempted to choose the middle point (3) when in doubt. The toolkit provides an ***initial input for internal dialogue*** in LAs, and the results (based on ***responses from different actors***, not only S151) could be discussed in ***internal workshops*** facilitated by the academic team. It was argued that the benefit of the toolkit is to consider ***financial resilience in the wider context*** (i.e., not just about what the S151/finance department knows), including as many differing perspectives as possible, to become aware of those organisational-wide potential risks that may not be on the radar. Perception must be ***compared to actual outcomes***. In terms of ***external benchmark***, there are ***reputational risks*** (affecting the integrity of the answers, as discussed before), but the sector would benefit from ***analysing the data in different ways*** (e.g., how different users and response groups are perceiving the organisation, how the perceptions change over time). Also, it was discussed that aggregating the data into a ***sector risk profile*** or feeding into an existing risk profile structure, would be useful and mitigates the reputational risk. It is important to ***use the toolkit in different points of time*** – i.e., to have comparative and contextualised data. This data could be used to drive ***internal action plans*** to focus on areas where there were perceived issues. It is positive that the toolkit is a ***free tool***, since councils are operating with limited resources.

The second breakout group commented that the toolkit provides LAs with a top down and bottom up view of their ***organisational and resilience culture***. Including controls to ***measure respondents' behavioural characteristics*** (e.g., optimism bias) would help to get more accurate insights across the organisation. The group also discussed about the opportunity for the toolkit to provide ***leading*** (as opposed to ***lagging***) ***indicators***. In terms of decision making, it was argued that the toolkit could point LAs in the direction of where decision needs to be made (i.e., an ***informed decision***) and would be beneficial to confirm performance measurement and internal controls – being ***useful from an audit perspective***, but also raising awareness to senior leaders about different perspectives on their directives. The ***responses*** must be ***balanced*** or ***weighted*** when there are fewer managerial responses in comparison to lower levels. The ***hierarchical position*** of respondents could be captured as well. Finally, changes in ***political structure*** might be relevant to understand financial resilience on the long run.

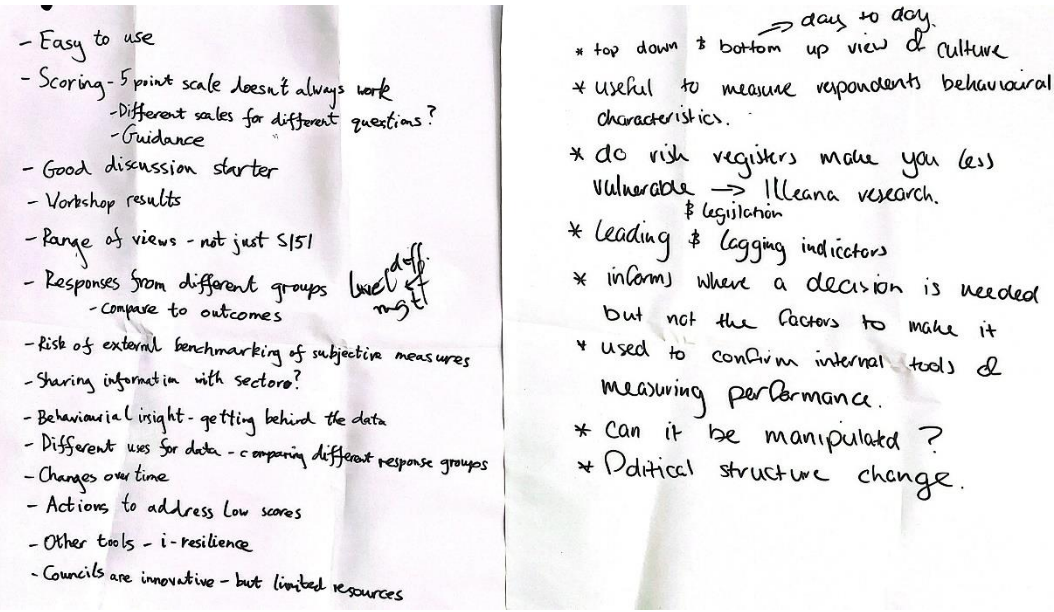

Figure 1. Roundtable 1 flipchart notes by participants

3. Roundtable 2: Aligning the toolkit to other (statutory) requirements faced by LAs?

The first breakout group mentioned that the toolkit might ***support the leadership*** in getting that insight into the organisation (and making decisions around the regulatory standards in place), and possibly some wording/phrasing changes could nudge respondents to keep in mind the seven principles while using the tool (although this is not necessary, it is just a way of linking the tool more clearly to them). It might help to identify system-wide risks and influence auditing codes of practice. The toolkit could help to drive forward actions for financial resilience under the right circumstances. In terms of ***frequency***, it was suggested that the tool could be used ***once per year***, alongside the CIPFA resilience index, to provide links between the quantitative and qualitative data; alternatively, ***multiple times per year*** would be useful to ***identify issues***, promote an ***action plan*** and ***reassess progress*** towards the plan.

The second breakout group reiterated that the toolkit must provide a broad organisational view of the financial resilience of local authorities, and ***not be linked or limited*** to discussions relating to the finance department's statutory requirements. In a ***post-conversation*** the toolkit might be useful, for instance, depending on the responses to particular questions this could raise ***red flags*** on points that are treated on codes and specific regulations. Moreover, it can help LAs to ***manage risks*** – e.g., how do they deal with risks? How quickly can they deal with them? Are they reporting the risks in the first place? And, more important, does everybody responsible within the LA know about those risks?

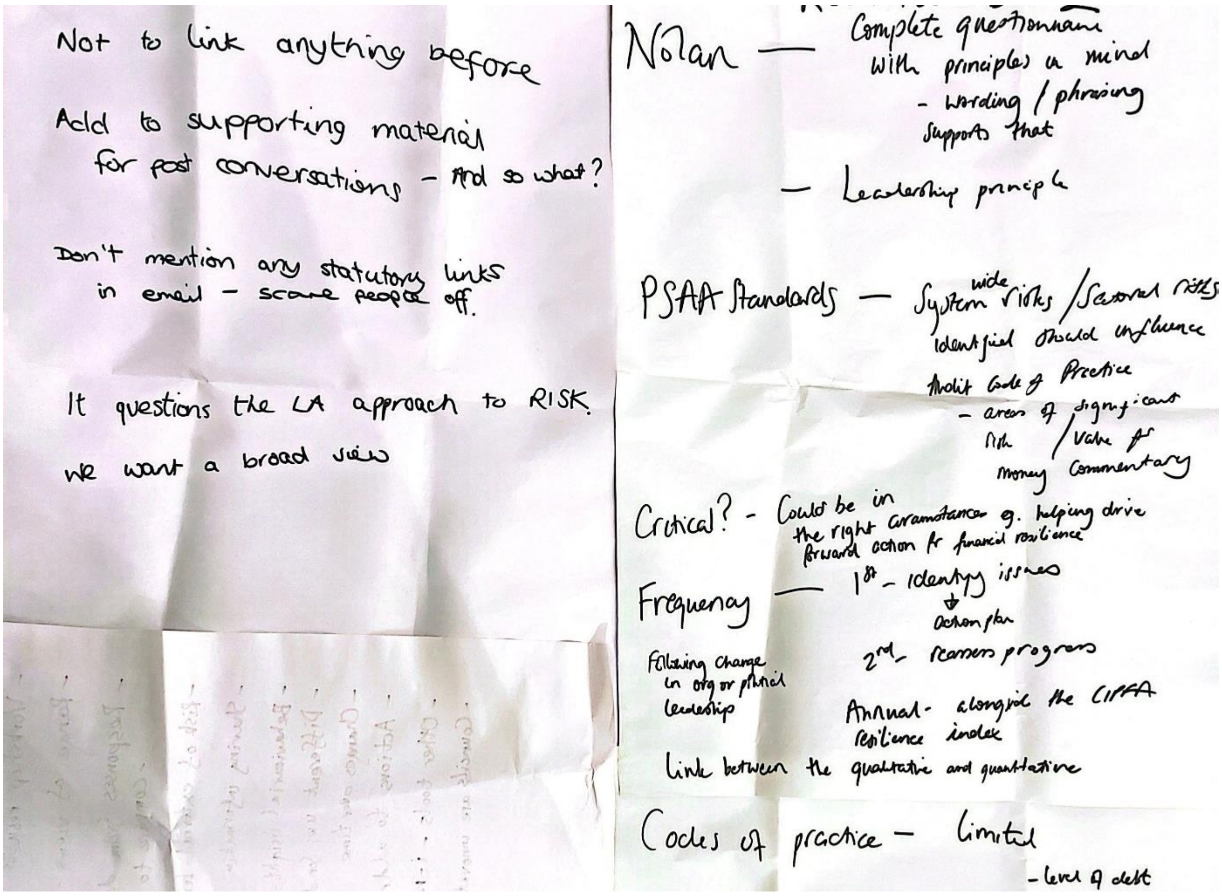

Figure 2. Roundtable 2 flipchart notes by participants

4. **Next steps**

- Create a community around the topic of financial resilience. To this end, we plan to invite all the participants to the ***Public Service Accountability and Resilience Hub***, where we can continue to engage in discussions and better understand how to use the toolkit in an operational basis.
- Promote ***case studies*** to generate a “roadmap” on how to adopt, implement and use the toolkit in different Local Authorities. Start with the toolkit as an internal tool, and after reaching some critical mass, develop aggregate (anonymised) sectoral reports. Some councils agreed to be the first ones to interact with the research team to develop the case studies. We will get in contact via meetings to tailor the case studies in different ways, while maintaining comparability.
- Produce short individual reports based on the participants’ answers to the toolkit during the workshop, signalising the usefulness of the tool.
- Next face-to-face interaction around the toolkit on 15th April at CIPFA SE AGM in London.