

Foreword

Austerity is a permanent context within which the public sector must operate; yet it remains a challenge. In this landscape it is perhaps *easier* to focus on short-term budgetary pressures (and to try to remain within budgets and spending control totals) than ensure delivery of long-term service provision that both meets increasing demand *and* is within tightening budgets. But short-termism rarely achieves value for money.

To reconcile these pressures will require great skill, a lot of hard work and a little bit of luck – but professionals make their own luck by making effective use of tools and techniques such as forecasting.

Forecasting future service demand as well as future income sources is an invaluable, sometimes overlooked, tool for finance professionals. If the techniques sometimes lack credibility, it is because of a perception that forecasting is not an appropriate tool in times of turbulence. But this does not have to be the case.

To fail to accurately assess ever increasing demand and likely income is no longer an option because it is in the ‘too difficult’ box – we no longer have that option – to prosper we need to be able to accurately forecast the demand for services to assess whether this demand can be met.

This publication provides an overview of the theory and framework of forecasting, and of the different types of qualitative and quantitative techniques. It examines the actual and the possible uses of each technique in the public sector context, and considers their pros and cons. Equally importantly, it sets out which techniques are most suited to which context.

This publication is not simply designed for those finance and other professionals producing forecasts but for senior finance professionals and decision makers who rely on forecasting when signing off major spending decisions or policy initiatives. Effective decision making requires assurance on the bases on which the key forecasts are prepared. Financial forecasting cannot be separated from project management and business planning focused on delivery.

This publication is part of CIPFA’s suite of cornerstone guidance for public sector organisations. The other publications are *Better Benchmarking for High Performance* (2010), *The Performance Pulse: Managing Performance to Achieve Strategic Outcomes* (2011), *Counting Costs: Understanding and Using Costing Information to Make Better Decisions* (2011), and *Thinking Ahead: Developing a Financial Strategy* (2012).



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