



**Government
Finance
Profession**

Putting finance at the heart of decision-making

A Government Finance Profession paper supported by the National Audit Office

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Foreword

The Whitehall finance community has made huge strides over recent years: it is far more professional, from board level all the way through our organisations; it is more agile and adaptable and we are playing a vital role in delivering savings to help get the deficit down while continuing to deliver operational and policy priorities.

However, the current generation of public sector managers has never before experienced a greater need to do more with less and success in meeting this continuing challenge depends on our ability to implement wide-scale change at lower cost. Many organisations have already made the easier savings. Taking this further, in a structured and sustainable way, requires a more fundamental re-examination of our costs and how we deliver public services. Good financial management, which moves beyond stewardship and process to drive and support improved performance and outcomes, is vital to achieving this goal.

Good financial management enables decision-makers to:

- understand exactly how they are spending money;
- explain why activities and services cost what they do and how those costs can be influenced and controlled;
- provide robust data to underpin evidence-based policy making and prioritisation of scarce resources;
- understand what return or policy outcomes they get for a given spend and what financial risks they face;
- report accurately and transparently about how taxpayers' money has been spent, what it has been spent on and to what effect; and
- look forward with insight so that they are better able to deal with future financial challenges.

Good financial management goes beyond the finance function. Embedding cost-effectiveness and public value in the delivery of government services requires decision-makers at all levels to give proper consideration to the financial consequences of the choices they make. Put simply, managers must understand the financial implications of business decisions if they are to manage their resources well and avoid erosion of service delivery in priority areas.

Putting finance at the heart of decision-making is central to the Finance Transformation Programme, led by the Government Finance Profession's Finance Leadership Group (FLG). The Finance Transformation Programme, as part of the government's wider civil service reforms, aims to deliver a fundamental shift in public sector culture through more commercial, adaptable and innovative working. *Putting finance at the heart of decision-making* calls on leaders and managers across government to strengthen the financial management in their organisations and to monitor and report on the progress they are making, in order to unlock the potential of finance to support better business decision-making and better business outcomes. *Putting finance at the heart of decision-making* will help decision-makers deliver optimal business outcomes.

All central government organisations need to embrace this vision, recognise the potential benefits and collaborate to achieve them in ways that are consistent with their priorities and business needs. In order to help this collaborative approach, FLG have decided to adopt a common assessment model to help all departments reach the standard of the best. Over the next two years all Whitehall departments will undertake an assessment of their financial management against a common framework which measures their performance at maintaining sound stewardship, supporting excellent business performance and enabling transformation. This will involve obtaining the views of internal and external stakeholders including permanent secretaries and non-executives and will identify strengths, weaknesses and areas for improvement.

This is the beginning of a process of continuous improvement requiring leadership, commitment, energy and a willingness to challenge the status quo. In the current economic climate, this is a journey that we all need to take.

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The vision

Finance at the heart of decision-making

1 More than ever before, every penny of public money must be used wisely so that government can deliver great value for taxpayers and great outcomes for citizens. This can only happen consistently if all senior managers across the civil service embrace the need for mature financial management – requiring and enabling all business decision-makers to understand the financial implications of what they do.

2 The Finance Transformation Programme, as part of the Civil Service Reform agenda, aims to strengthen financial discipline and achieve a fundamental shift in public sector culture so it becomes more commercial, adaptable and innovative – *putting finance at the centre of decision-making*. The Annex to this paper sets out in detail the vision and strategic enablers of the Finance Transformation Programme.

The benefits of good financial management

3 Mature financial management will deliver significant benefits:

- enhanced policy making – working with policy and operational colleagues from the inception of an idea to articulate evidence-based, costed policy choices that have the best chance of delivering the outcomes required;
- strategic insight – providing information to improve business decision-makers' understanding of the cost and value of different options;
- increased productivity – quicker approval of business cases through ministerial, HM Treasury and Efficiency Reform Group mechanisms;
- intelligent innovation – supporting business decision-makers as they navigate significant change, assisting business transformation and the development of new delivery models;

- managed risks – building business decision-makers' awareness of the financial consequences of different scenarios, associated risks and mitigating actions;
- responsive delivery – translating corporate and service priorities into activities that respond to the needs of the public and ministerial priorities;
- doing more with less – making best use of scarce resources and helping manage demand for services effectively.

Making it happen

4 If financial management is to realise its full potential, key enablers must be in place. These enablers provide the building blocks so that organisations can derive the maximum benefit from their business decision-making. The Finance Transformation Programme is built on four key enablers:

- effective leadership – driving performance from the top;
- cost-conscious culture – so every decision is built on informed financial assessment;
- professionalism – so that all public servants have financial awareness; and
- expert central functions – providing the strategy to work towards common goals.

5 Business decision-makers should champion *putting finance at the heart of decision-making*

to establish and communicate the vision across their organisation. Good leadership will work towards a cost-conscious culture that is embedded throughout the business. This impetus must start at the top. Board-level engagement should set the right tone by recognising achievements and driving continuous improvement through consistent challenge. It is imperative that the wider business views finance as a vital support and not a barrier to organisational achievement.

6 *Putting finance at the heart of decision-making* is the responsibility of all **decision-makers, who must understand their responsibility to take financial considerations into account.** This requires core financial management skills and awareness to be embedded with policy leads and operational managers at all levels of the business.

7 The finance team has a key role to play. The team should promote shared understanding and consistency between the insight it can provide and the needs of business decision-makers. Finance teams need to rise to the challenge. 'Business as usual' should see the finance team providing high-value intelligence as an integral part of organisational planning and operational activity. In these tough times finance professionals need the skills and knowledge to work in partnership with, and speak the language of, the wider business. They must help develop and support sustainable business strategy that makes best use of the resources available.

8 *Putting finance at the heart of every decision* requires **decision-makers to have access to relevant, reliable and timely information.** This information should be designed to meet their needs – for example, by linking costs with outcomes and integrating operational, financial and risk information. Robust systems must inspire the confidence and trust of information users. Information should be available at the right time to support informed, evidence-based decision-making. Good quality information should underpin an organisation's strategic narrative and should compel change.

9 As organisations seek innovative solutions to help them deliver more for less, the need for clear accountability becomes ever more important. Increasingly devolved delivery models challenge traditional lines of accountability. **Clarity about respective responsibilities is essential** if organisations are to succeed in their efforts to achieve mature financial management.

Tracking progress

10 There should be regular board-level input and challenge. Accounting Officers, supported by a board-level Finance Director, should drive improvement and regularly report progress against their Financial Improvement Plans.

11 We expect all government departments to assess periodically the maturity of their financial management and demonstrate the progress they have made over time, and report this publicly. Various models are available to help organisations to do this, but to encourage consistency of approach the FLG have agreed the CIPFA model meets their needs and should be adopted across Whitehall departments.

12 To evaluate financial management capability, organisations need a shared understanding of what 'good' looks like. Evaluations must be straight-forward to complete and provide metrics to address the presence and developing maturity of key enablers over time. The methodology used should:

- allow organisations to tailor the scope of their assessment to suit their circumstances;
- provide a basis for organisations to compare relative performance; and
- support completion using internal assessment, peer review or third party examination.

13 In this way, organisations will demonstrate progress and be held to account, consistently and comparably, for their journey through the key maturity levels:

- securing stewardship – control and accountability for the spending of public money;
- supporting performance – doing existing things well. Being efficient and effective;
- strategic enabler – facilitating beneficial change. Embedding financial management across the business. Understanding the cost and value of different options to allow informed decision-making.

14 The National Audit Office supports strongly the government's commitment to achieving mature financial management. It welcomes FLG's decision to use a single model to assess financial management maturity across government and recognises that the CIPFA model offers a suitable framework. To help us achieve our vision of *Putting finance at the heart of decision-making*, we welcome the independent challenge and insight that the National Audit Office brings, through the full breadth of its engagement on financial management matters with government bodies.

Next steps

15 *Putting finance at the heart of every decision* is not an optional extra. Strong financial management is an essential component of well-run, successful organisations and we can gain confidence from all our recent achievements that we can succeed in making our vision a reality. The Government Finance Profession, through the FLG, is spearheading this cross-government approach as part of wider civil service reform. The FLG will provide guidance for organisations about the specific actions they need to take, together with senior-level support and engagement as they work towards this shared vision.

Annex

Vision for the Finance Transformation Programme

Key enablers	Effective leadership	Cost-conscious culture	Professionalism	Expert central functions
People	Ministers, boards and senior civil servants demand the highest standards of financial management.	All staff understand they are responsible for cost-effective delivery – and are appropriately trained and incentivised.	Finance professionals have the range of skills and experience needed to support the business.	The centre aligns with finance departments to provide consistent and coherent messaging.
Process	Finance is an integral part of strategy and business planning.	Processes promote a value-for-money and continuous improvement culture.	Finance processes are economic, efficient and effective.	Central processes support and incentivise good financial management.
Information and technology	Senior management has expertise to use and analyse information effectively.	Systems provide relevant and timely information that staff need to exercise their responsibilities.	Systems provide access to clear, consistent and well-understood information.	The centre draws on information that is used by and useful to departments.
Structures	The Finance Director is a key member of the senior leadership team, positioned to influence all material business decisions.	Departments' internal structures and governance support and incentivise a cost-conscious and risk-aware culture.	The finance department is structured and resourced to provide the business with the support it needs.	There is clarity between the respective roles and responsibilities of the centre and departments.

Where to find out more

This document has been jointly produced by the Government Finance Profession and the National Audit Office.

If you wish to follow up any issues raised in this document with the Government Finance Profession, please contact:

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