

CIPFA Response to the Scottish Parliament's Finance and Public Administration Committee's Inquiry into Public Administration – Effective Scottish Government Decision Making

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at <https://www.cipfa.org/>

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1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the opportunity to respond to the Scottish Parliament's Finance and Public Administration Committee's 'Inquiry into Public Administration – Effective Scottish Government Decision Making'.
- 1.2 As an organisation that is dedicated to ensuring that the public pound is well spent, CIPFA believes that effective decision making is at the heart of good public financial management, and good public financial management is central to improving public services.
- 1.3 CIPFA has produced several influential publications that deal with effective decision making in the public sector, and the following high-level response draws on our key messages from these publications. In 2014, the [International Framework: Good Governance in the Public Sector](#) was developed jointly by CIPFA and the International Federation of Accountants. This publication focused on effective public sector governance and includes specific recommendations relating to effective decision making. Building on this good practice, CIPFA's 2016 publication [Delivering Good Governance in Local Government: Framework](#) has local government as its focus, but the guidance contained within the document can equally be applied to central government decision making. Most recently, [Delivering Outcomes in the Public Sector](#) was published in 2020, and centred on using an outcomes-based approach to improving public services.
- 1.4 CIPFA is also one of the United Kingdom's principal providers of training in the better business case approach. In 2022, we delivered 66 courses on this subject to over 1,350 people. We offer [Better Business Cases](#) qualifications at foundation and practitioner levels. The better business case approach embeds the skills and capabilities necessary to develop effective business cases within a robust framework of transparent decision making. Our qualification is mandatory for those involved in capital projects in a number of public bodies, including the NHS.
- 1.5 In summary, our response raises the following points:
 - Effective decision making needs to be evidence-based and grounded in the robust analysis of consistent, meaningful and understandable data.
 - Effective decision making should be outcomes-focused while using appropriate option appraisal techniques.
 - Decision makers and supporting staff should be analytical, objective, open minded and well trained, with a culture from the top exemplifying transparency and open communication. High ethical standards should permeate all levels of government and decision making.
 - There should be opportunities for scrutiny during policy development, options appraisal and following a preliminary decision. Full engagement with stakeholders enables a better understanding of possible options, risks and benefits. Post-implementation review is important to reflect and foster continued improvement in effective decision making.

2. Detailed comments

2.1 General

An effective decision involves a combination of factors, including considering available options and supporting data to achieve an intended outcome that is legal, sustainable, fair, efficient and accessible. An effective decision is one made following suitable engagement, communication and collaboration with stakeholders.

There is great public interest in ensuring that decision making in government is grounded in the robust understanding and analysis of sound and transparent financial and non-financial information, and that the decision-making process utilises a risk-based approach to achieving agreed objectives.

2.2 Methodologies, processes and principles

An outcomes-focused methodology should be applied in effective central government decision making. Central government leadership has a particular responsibility for setting objectives. These objectives can be national and geared towards the wealth and wellbeing of society, as seen in the Scottish Government's [National Performance Framework](#). Policy decisions should be driven by the pursuit of achieving such outcomes. The leadership team have a responsibility for setting policy priorities grounded in clear goals and objectives, and reviewing these priorities regularly.

Effective decision making involves the use of option appraisal techniques. HM Treasury's [Guide to Developing the Project Business Case: Better Business Cases: For Better Outcomes](#) and supporting [Green Book](#) for analysing socio-economic benefits, costs and risks are key documents that should be considered in effective decision making. CIPFA understands that the Scottish Government already uses the processes outlined in these documents, such as producing strategic, outline and full business cases using the five case model, comprising strategic, economic, commercial, financial and management cases. CIPFA's [Financial Management Code](#) also supports this approach, while suggesting the need for proportionality. For example, a low value or low risk decision is likely to include a relatively simplistic approach to option appraisal compared with a decision that can have significant impact.

CIPFA is aware that it is not possible to follow this robust methodology for every decision taken in government, and that such an approach is more common in larger-scale change projects. For policy decisions where it is not feasible to follow the better business case approach, a range of alternative policy options should nonetheless be explored. This range of policy options should include a 'do nothing' option to benchmark the impact of suggested alternatives.

Effective decision making must be in accordance with the law, should contribute to outcomes that are financially, economically, socially and environmentally sustainable and deliver value for money. In partnership with the University of Oxford's Government Outcomes Lab, CIPFA assists organisations demonstrate the value for money of outcome-oriented programmes through the [Value for Money Toolkit](#). The toolkit provides a framework for thinking and learning about the economic validity of public programmes and promotes thinking about the longer-term effects of interventions.

2.3 Capabilities, skills, behaviours and cultures

Public office holders should demonstrate skills and capabilities in analysis, the proper use and understanding of relevant, accurate and reliable qualitative and quantitative data, objectivity and financial forecasting. A skills audit should be undertaken that identifies strengths and weaknesses in teams of civil servants. Training should be made available where areas of skills and capabilities improvement are identified. There are also occasions where external specialist skills and expert advice is needed. In instances where necessary skills and knowledge are unavailable in-house, and it is not feasible to train civil servants in those necessary skills, then external services should be contracted in following a fair and open recruitment process.

The behaviours that promote effective decision making include transparency, objectivity and open mindedness. These behaviours should be promoted by a culture that comes from the top. It is the responsibility of those in managerial or leadership positions to promote a culture of open communication, collaboration and a willingness to consider different options. Diverse viewpoints should be actively sought out, and there should be clear lines of accountability for decision making. The financial

consequences of falling short of these behaviours can be seen in the examples of some English local authorities issuing Section 114 notices in recent years.

Each decision-making forum should have a clear purpose and established decision rights: they should understand their task, how they are to approach the task, and what is within the forum's decision-making power.

High ethical standards should permeate all levels of decision making. Public office-holders should follow [the Seven Principles of Public Life](#).

2.4 Scrutiny and stakeholder engagement

Opportunities for scrutiny in effective decision making should be taken during the options appraisal process and once a preliminary decision has been taken. Engagement with stakeholders, including individuals with an interest in the decision and representative groups and institutions, develops a better understanding of the decision to be taken, and possible options, risks and benefits. Once decisions have been taken, it is vital that any document published to explain and support policy decisions (such as a financial memorandum accompanying a bill) has sufficient detail contained within it to enable robust stakeholder scrutiny. In CIPFA's [recent response](#) to the National Care Service (Scotland) Bill's Financial Memorandum, we stated that a far greater level of detail was necessary to conclude whether the information contained within the Financial Memorandum was accurate and reasonable. As CIPFA asserts in the [International Framework](#): "Governing bodies should provide clear reasoning for their decisions. In both their public records of decisions and in explaining them to stakeholders, they should be explicit about the criteria, rationale and considerations used in their decision making and, in due course, about the impact and consequences of those decisions."

Effective stakeholder engagement includes collaborating with members of communities of lived experience, subject matter experts, professional advisors and trade unions. CIPFA's [Financial Management Code](#) describes best practice in stakeholder engagement. Stakeholder consultation helps to clarify priorities, reduces the risk of legal or political challenge late in the change process and encourages community involvement.

It is good practice to carry out an impact evaluation in the form of a post-implementation review following once a decision has been executed. This reflective element is an important step in learning the lessons from past decision making in order to improve future decision making. Post-implementation review should establish the extent to which the changes brought about following decisions have been successful in meeting intended outcomes.