

Improving Budgeting: Modernising the Cycle

FOREWORD

The business model for public service organisations (PSOs) is complex. PSOs grapple with a range of stakeholder interests – citizens, clients, users, customers, partners, suppliers, government, regulators and the wider public interest. Policy outcomes and performance can be hard to define. Value for money is central to judgements on the delivery of public services. No single metric offers a measure of public value, so suites of performance indicators are needed to build profiles that allow judgements about delivery performance to be made, and these linked to financial costs to assess value for money. Financial processes need to integrate with and be part of performance management.

Budgeting, forecasting, monitoring and reporting are key financial processes in all organisations, and in the public services, not only is the budget a vital control mechanism, it is also a statement of intent about the planned use of public monies. Without losing its control and accountability mechanisms, modern budgeting needs to better support performance management by integrating known financial outcomes with frequent re-forecasting of the budget and analysis of performance trends.

In this guidance we have taken a hard look at budget setting, in-year monitoring and the reporting of financial outcomes to gauge whether the approaches and styles currently in place serve PSOs well. A number of areas for improvement are examined and discussed. We conclude that the budgeting, forecasting, monitoring and reporting cycle should encourage better and more continuous engagement of boards, managers and finance staff with a continually revised financial plan, and that this needs to reflect better and more frequent forecasts, take account of the analysis of performance trends, and offer the organisation a rolling picture of its future set against known financial outcomes at that time. This improved process will provide a better basis for the board and managers to take decisions that will affect users and citizens.

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