

# Foreword

The term ‘value for money’ (VFM) has been around for almost 40 years, but at its heart is a very simple idea that ought to form the core of public servants’ day-to-day thinking – that we have a moral obligation to ensure that we get maximum value for the taxpayer’s pound. Moreover, it is not just taxpayers who have the right to expect that their public bodies will act in the most efficient way possible. Service users are entitled to get the most they can from the public service organisation that is meeting their needs. However we look at it, gaining VFM ought to be at the heart of all we do.

However, after years of striving to achieve VFM, it is still the case that we struggle to achieve trust from the public that we are actually delivering what we potentially could. That is why I am greatly encouraged by the initiative of the CIPFA Financial Management Panel to commission this work from panel members and their CIPFA and non-CIPFA associates, looking at the key question of what makes one organisation routinely achieve VFM while another struggles.

It is therefore essential that we accelerate the sharing and learning from best practice across the public sector.

The requirement to further strengthen the delivery of VFM and develop more innovative approaches to service delivery, including stronger working across the public sector, is even more pressing in times of financial constraint and demographic challenge. I believe there are some insights in this publication, and a strong element of practicality in its conclusions, that will help all of us do better and develop a strengthened VFM culture to the benefit of taxpayers and users alike.

It gives me great pleasure as CIPFA President to commend this publication to you.

A handwritten signature in black ink, reading "John Matheson". The signature is written in a cursive style with a long horizontal stroke at the bottom.

**John Matheson**  
**CIPFA President**

# Preface

While value for money (VFM) has been a key part of public service management for many decades, the onset of financial and economic austerity has given it a new degree of importance and priority. Everyone would agree that public services should deliver the best VFM with the public resources at its disposal but there would a huge degree of dispute as to the extent to which they actually achieve this goal.

In our view much of the debate around austerity tends to be political in nature and involves such aspects as what public expenditures should be protected, where cuts should be made and how big they should be, whether taxes or borrowing should be increased to avoid the cuts being made, etc.

In this publication, our aim is to get away from these politically charged debates and to consider managerial concerns about how well the public sector is using the £700bn of public funds already at its disposal, whether it is used optimally and how the situation might be improved. Moreover, this is a dynamic situation, not a static one. Searching for VFM improvements and implementing them is not a task with a clear end-point since situations change at the same time as we are implementing improvements. So the managerial tasks involved in trying to improve VFM can be described as part of continuous performance improvement.

Any search on the research and policy literature will find a voluminous amount on the technical aspects of VFM, concerning such matters as strategies, benchmarking, public consultation, project management, etc. This publication is about organisational culture, a term that lacks precise definition and is often completely misunderstood, but is, perhaps, the most important factor in organisational performance. In VFM, a key factor is the culture of the organisation and whether it is truly committed to the search for VFM rather than seeing it as a somewhat burdensome requirement designed to keep politicians, auditors and others 'off their backs' and to get a 'tick in the box'. A strongly held view coming out of our research is that attitudes towards VFM in the public sector are variable, to say the least, and there is huge scope for improvement.

A recent illustrative example of the problem here can be seen in a report by Lord Carter into how savings can be made in the NHS, which shows the weakness of current methods. The report suggests that the NHS could save £5bn a year by reducing variations between hospitals in the provision of healthcare (Department of Health, 2015). While such a statement may well be correct (and indeed the report goes on to quantify where the savings could be made), it says very little about how this could be achieved and seems to have little understanding of how organisations actually work in practice. The one thing we can be certain about is that such savings will not be achieved by a top-down command-and-control approach involving the issuing of targets from Whitehall coupled with micro-management of the hospitals involved. The only way to achieve such savings is by developing a culture in hospitals where all staff are encouraged, incentivised and trained to look for and implement such savings. This is what this publication tries to promote.

This publication aims to explain to the reader the nature and importance of organisational culture in relation to VFM and provides practical guidance on how to assess your current culture and how to improve it. Ultimately, we suggest, in future, that consideration of the readiness of public sector organisations to meet the challenges of austerity should incorporate an assessment (by auditors and others) of its culture in relation to our six dimensions of continuous performance improvement and value for money (CPI/VFM) culture and the focus it places on CPI/VFM.

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