



**CROWN AGENTS**  
ACCELERATING SELF-SUFFICIENCY & PROSPERITY

# Financial Management of Development Projects

20 May 2019

## **FINANCE STAFF AND THE CIPFA FINANCIAL MANAGEMENT MODEL**



# Session Introduction

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## Session Aim

- Highlight and discuss the role of finance staff in financial management
- Examine the CIPFA Financial Management Model

## Session Learning Objectives – by the end of this course, you will be able to:

1. Appreciate the changes required in the environment in which finance staff undertake their work to achieve improvements in professionalism
2. Understand the components and context of the CIPFA Financial Management Model
3. Appreciate the importance of the Model for professionalisation of public financial management



# Session Agenda

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**Our Learning Journey** – how we will achieve our objectives:

1. Discuss the role of finance staff in public financial management
2. Define professionalism and professionalisation
3. Discuss the CIPFA PFM Framework for professionalisation of financial management



# Role of Finance Staff in Public Financial Management

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- What is the purpose of PFM?
- What do financial management staff traditionally do on day to day basis?
- Is it financial administration or financial management?
- How do finance staff relate to service managers and programme managers ?
- Where are the gaps?



# Public Financial Management

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‘The system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goods’



# The Elements of Public Financial Management

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## ‘Upstream’

- Planning (eg medium term budgets) and policies
  - Macro-economic policy formulation
  - strategic planning
- Budget preparation

## ‘Downstream’

- Revenue collection and management
- Budget implementation, including procurement
- Cash management
- Financial control
- Accounting and reporting
- Monitoring and evaluation
- External auditing



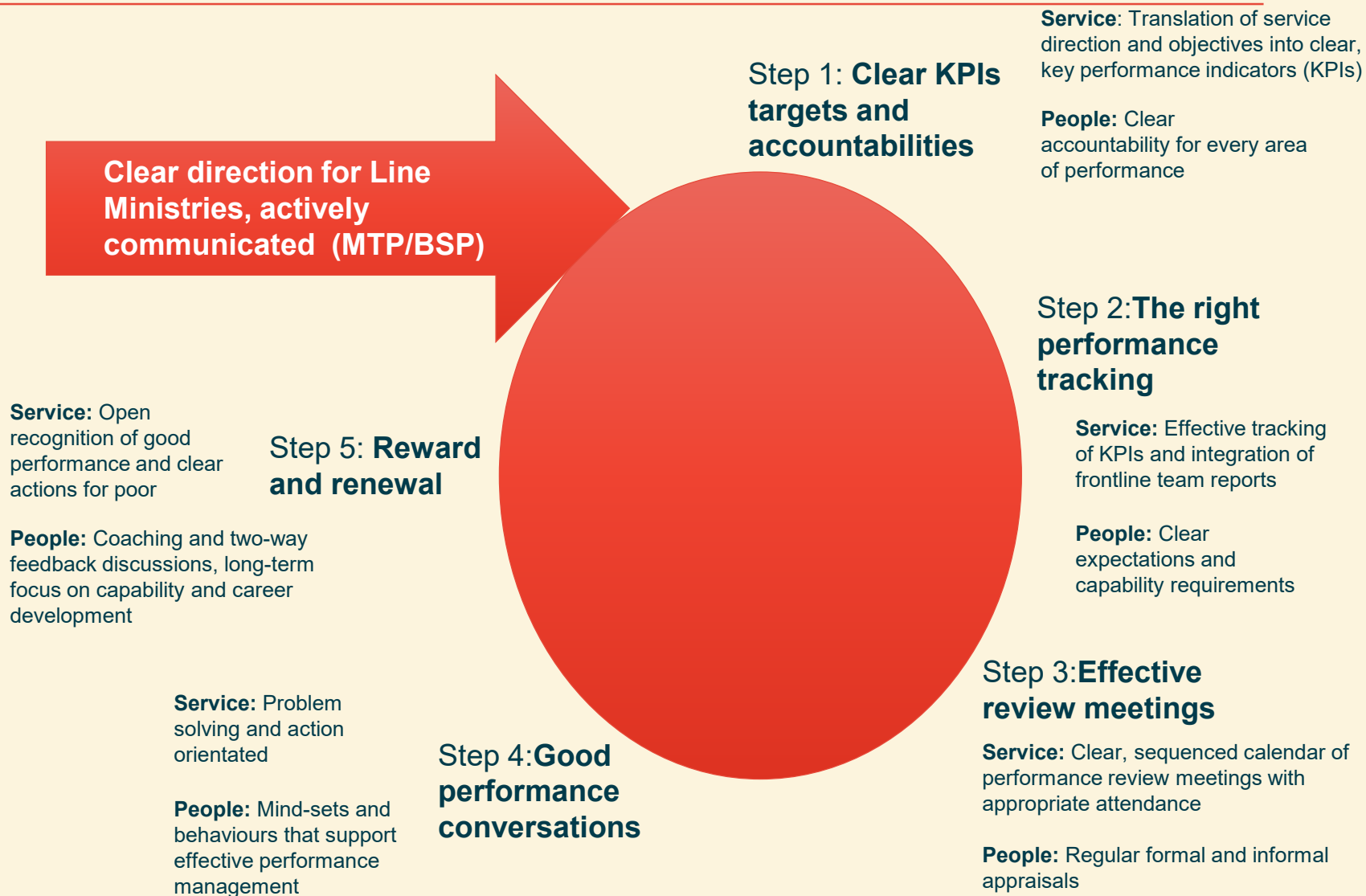
# Arguments for a Performance Management System

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## What does it offer?:

- Links strategy, objectives and targets to ensure delivery
- Focuses senior management on key metrics for performance
- Creates accountability for performance
- Enables more active professional development/coaching and a fairer process for career advancement
- Allows senior management to intervene on a fair basis when performance is substandard
- Increases the organisation's customer focus
- Promotes effective resource allocation
- Allows for effective and timely decisions in response to market and regulatory changes

# The requirements for improved expenditure monitoring as an integral part of a performance management system







# Public Financial Management Needs Professionals

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- The public sector has significantly different managerial and accountability needs from the private sector
- Many of these differences are reflected in the way the public sector raises and uses finance
- Raising public financial management standards is a complex process involving many partners at many levels.
- However, there is no inherent reason why the public sector should follow standards of financial management any less stringent than those in the private sector.
- Some would argue that the accountability needs of the public sector demand *higher* standards than in the private sector!



# Professionalism

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## ***Professionals:-***

- possess the wide range of underpinning knowledge and understanding required not just to carry out their own work but also to comprehend the wider issues relating to how systems and procedures interact to produce the outcomes and outputs desired
- display work-related competences which enable them to deliver the outputs required of them efficiently and effectively and with minimum levels of supervision
- comply with independently established and enforced standards in the execution of their work and the exercise of their technical and managerial responsibilities



# Professionalism

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## ***Professionals:-***

- have demonstrated their mastery of the necessary knowledge and competences through definitive, summative assessments conducted by an independent assessment agency;
- are committed to a programme of lifelong learning to adapt and improve their knowledge, understanding and competence in line with developments in their field;
- subscribe to an independent code of conduct which governs their attitudes and behaviour and breaches of which can lead to externally imposed sanctions on their continued status and earning capacity.



# Ethics and Standards

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- Qualified accountants subject to code of ethics and behavioural standards.
- Each professional body develops its own code of conduct but the International Federation of Accountants (IFAC) provides mandatory guidance to members bodies.
- The main **principles** covered are:-
  - **Integrity** – be straightforward and honest in business relationships
  - **Objectivity** – avoid bias and conflicts of interest
  - **Professional competence/due care** – maintain professional competences, skills and knowledge to contemporary standards and act diligently in the light of these
  - **Confidentiality** – respect the confidentiality of information obtained in the course of business
  - **Professional behaviour** – comply with all applicable laws and standards and avoid discrediting the profession
- Code mandatory on accountants accepted as members of a professional body
- Code is backed up by disciplinary regulations and a disciplinary scheme which in serious cases can expel a member from the Institute



NOT just training ..

- ✓ *a systemic transformation of the way work is done*



# Professionalisation

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## *Professionalisation requires:-*

- the contextual conditions conducive to the establishment and sustainable development of the environment in which professionals can flourish;
- the existence of individuals qualified to become members of the PFM profession in that country
- non-financial managers and other PFM role players having the skills, support and other resources to play their part in PFM, including taking responsibility for the resources they manage and formulating and controlling their budgets;
- the presence, on a sustainable basis, of a recognised PFM profession in the country, normally represented by a professional association, body or institute;
- capacity locally to provide the training, products and services required by the PFM community in the country or region



# Finance in the Public Services:

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## CIPFA FM Model

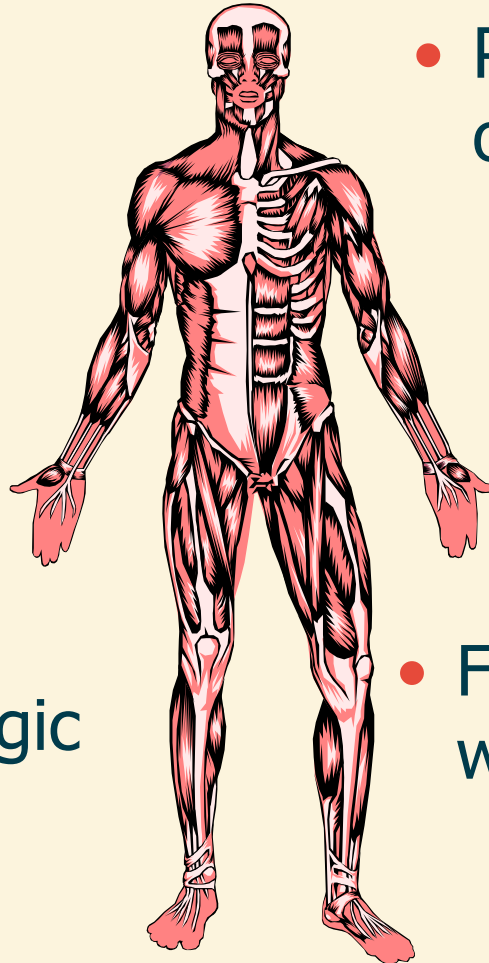
*Source: CIPFA*



# Financial Management and the Organisation

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- Finance the lifeblood of organisation
- Places Fin. Mgt. in wider org. context
- Finance supports delivery of strategic objectives
- Finance should permeate whole of the organisation



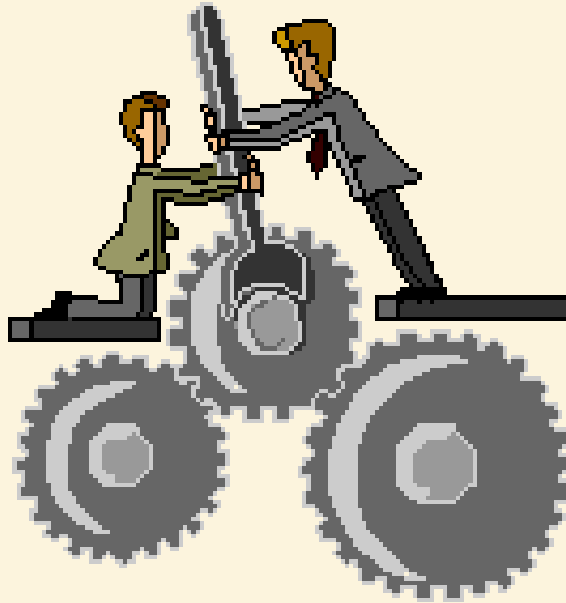




# Good Financial Management

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- Value for Money
- Enabling Change
- Managing Risk
- Measuring and Rewarding Success
- Control, Probity, Accountability
- Supporting Good Decision Making
- Managing and Improving Performance





# Development of the Model

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- Pan-public sector
- Inland Revenue/CIPFA



- CIPFA Working Group



# What is the CIPFA Model?

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- Framework
  - Series of propositions about good fin. mgt.
  - Establish a profile of fin. mgt.
  - Compare this to vision
- 
- Identify strengths/areas for improvement
  - Help prioritise improvement
  - Develop an action plan
  - Review and track progress





## 3 PROGRESSIVE FIN. MGT. STYLES

(i) Securing Stewardship



(ii) Supporting Performance



(iii) Enabling Transformation





# Management Styles

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- **Securing stewardship** – an emphasis on control, probity, meeting regulatory requirements and accountability
- **Supporting performance** – responsive to customers, efficient and effective, and with a commitment to improving performance
- **Enabling transformation** – strategic and customer led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas

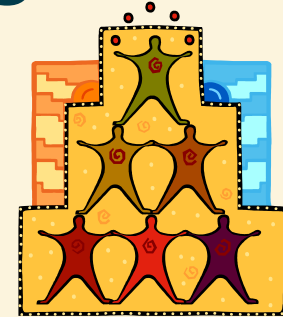


## 5 MANAGEMENT DIMENSIONS

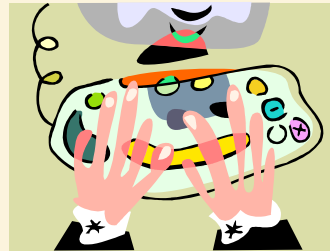
(i) Leadership



(ii) People



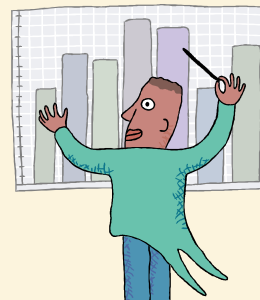
(iii) Process



(iv) Stakeholders



(v) Results





# Dimensions

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- **Leadership** - focuses on strategic direction and business management, and the impact on financial management of the vision and involvement of Board members and management team
- **People** - includes both the competencies and the engagement of staff, within and throughout the organisation
- **Processes**- examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy



# Dimensions

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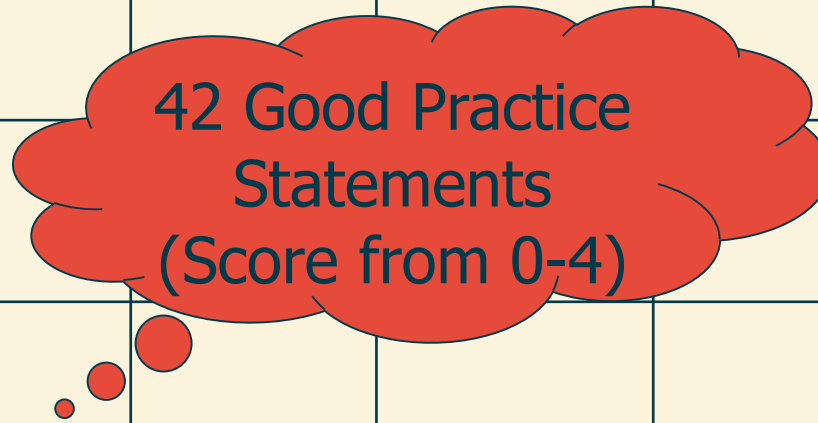
- **Stakeholders** - acknowledges the relationships between the organisation and those with an interest in its financial health. Public service organisations interact with several stakeholders:
  - government, inspectors, taxpayers, partners, suppliers, customers or clients
  - External stakeholders have legitimate expectations about the finances of the organisations
- **Results** – focus on results





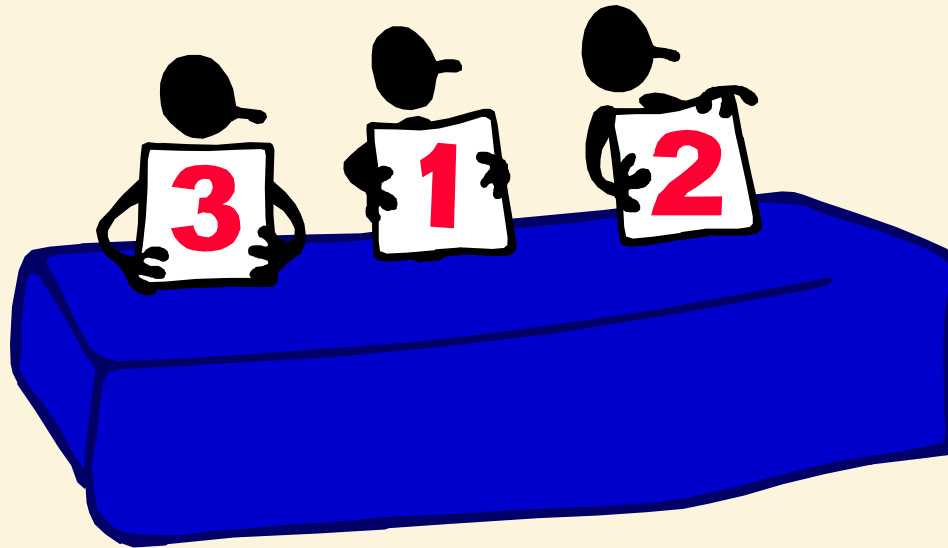
# The Matrix of Good Practice

	5 MANAGEMENT DIMENSIONS				
3 STYLES OF FIN. MGT.	Leadership	People	Process	Stakeholders	Results
Securing Stewardship					
Supporting Performance					
Enabling Transformation					



# Scoring System

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**To what extent does this Statement apply?**

0	0.5	1	1.5	2	2.5	3	3.5	4
Hardly			Somewhat		Mostly		Strongly	



# People – 3 Styles of Fin. Mgt.

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## **SECURING STEWARDSHIP**

- P1 The need for financial competencies is identified and met
- P2 There are sufficient skilled finance staff to meet business needs

## **SUPPORTING PERFORMANCE**

- P3 Managers know when and how to access financial advice
- P4 There are active efforts to equip the organisation with the financial management competencies it needs to realise its goals
- P5 Finance staff have the skills to analyse financial issues and offer options and advice

## **ENABLING TRANSFORMATION**

- P6 Financial literacy is diffused throughout the organisation
- P7 The organisation develops and sustains transformational capacity



# People – Specific Statement

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## **SUPPORTING PERFORMANCE - PEOPLE**

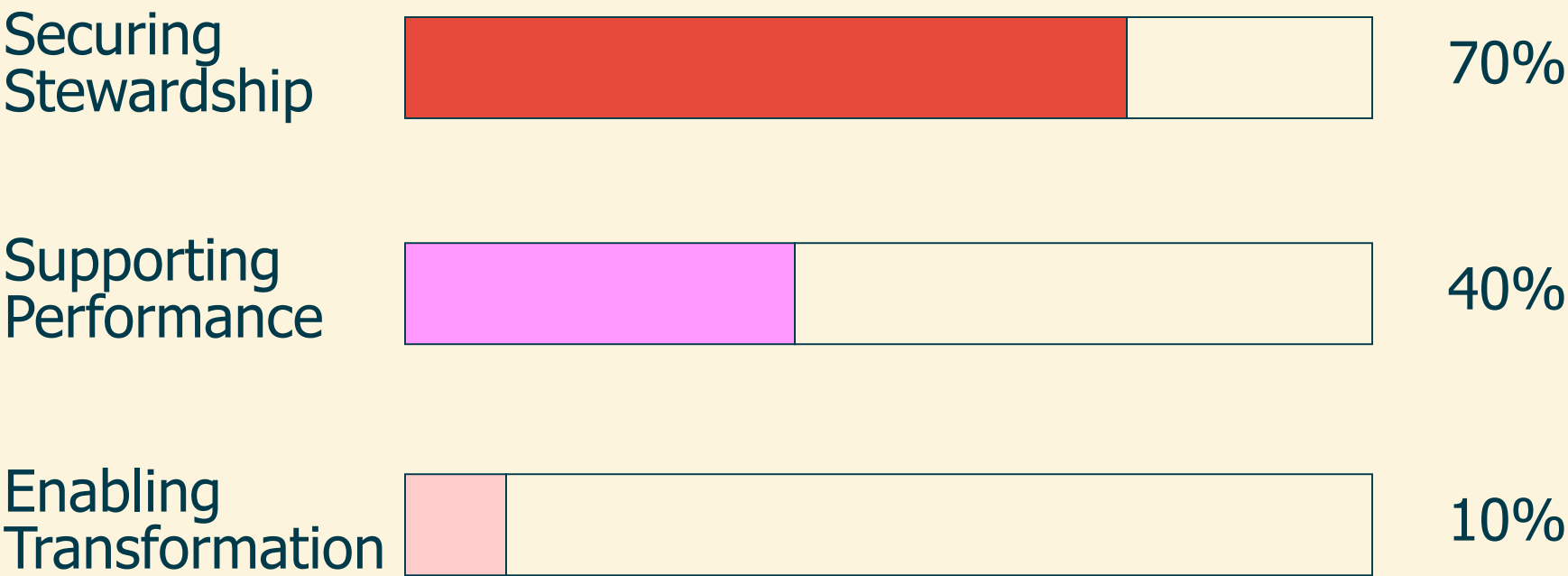
### **P3 Managers know how and when to access financial advice**

#### **EXAMPLES OF QUESTIONS**

- 1. Do managers know how to access financial guidance?*
- 2. Are managers aware of when to seek financial advice?*
- 3. Do managers know who to consult?*
- 4. Are finance staff roles and contact details accessible and up to date?*
- 5. Are fin. regs, manuals and procedures communicated, followed & understood?*
- 6. Do reports for decision contain fin. imps written/or approved by the financial advisor?*
- 7. Is there guidance on the issues where financial advice is required?*
- 8. Can advice and guidance be sought on line e.g. the Intranet?*
- 9. Is the finance function organised to support managers in their policy decision role?**

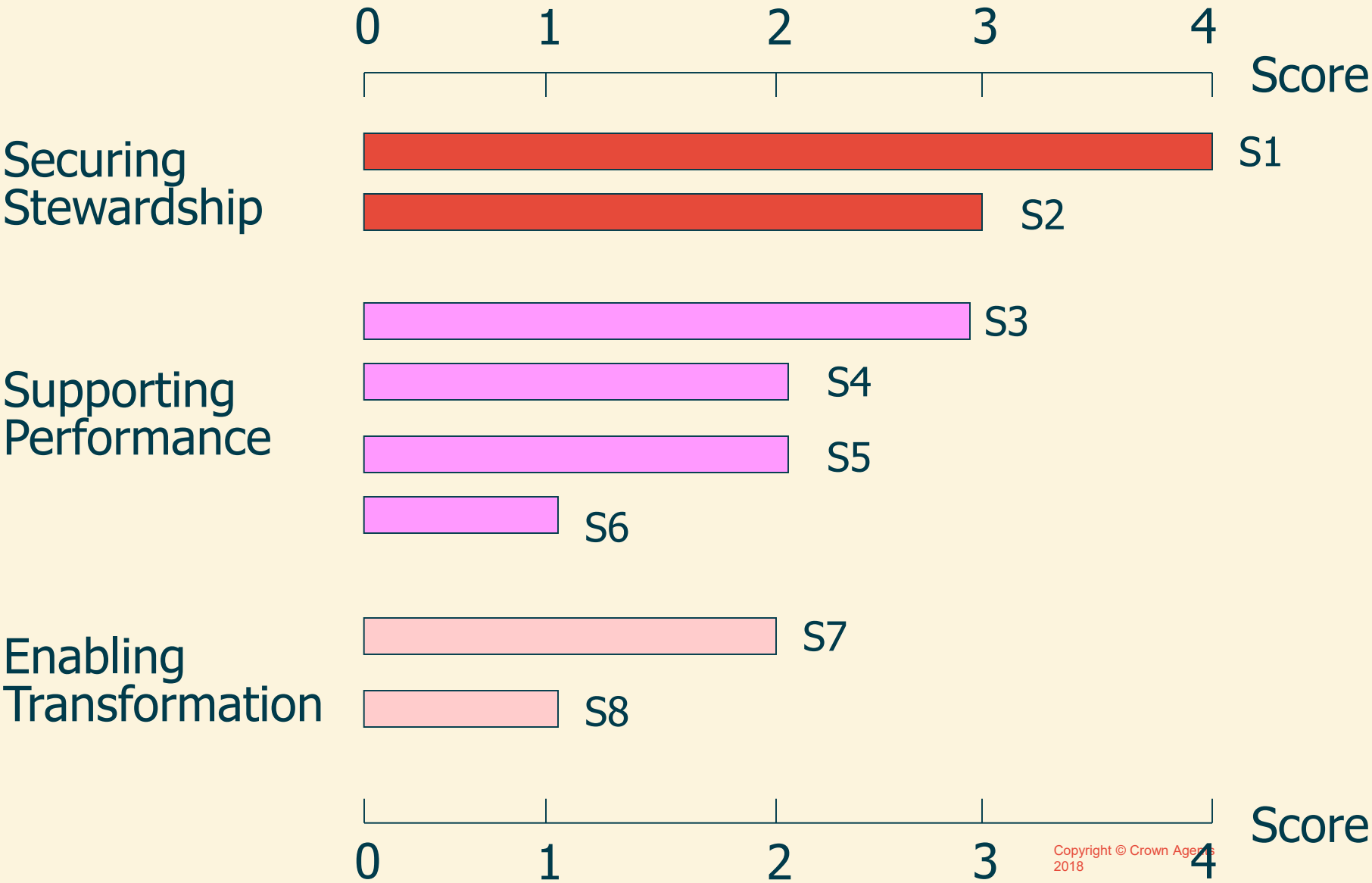
# Looking at the Results – High Level

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# Looking at the Results – Mgt. Dimension





## Looking at the Results - Snapshot

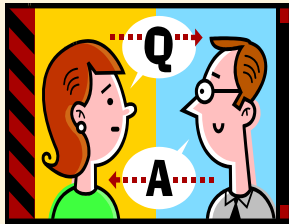
	MANAGEMENT DIMENSIONS			
STYLES OF FIN. MGT.	Leadership	People	Process	Stakeholders
Securing Stewardship	4	2	4	3
Supporting Performance	2	1	2	1
Enabling Transformation	3	2	1	2



# Using the Model - An Approach



Planning/Evidence



Electronic Survey



Workshops



Analysis of Results




Action Planning

OWNERSHIP


OWNERSHIP



 THE CIPFA FM MODEL  
Improving Financial Management and Effectiveness in the Public Service

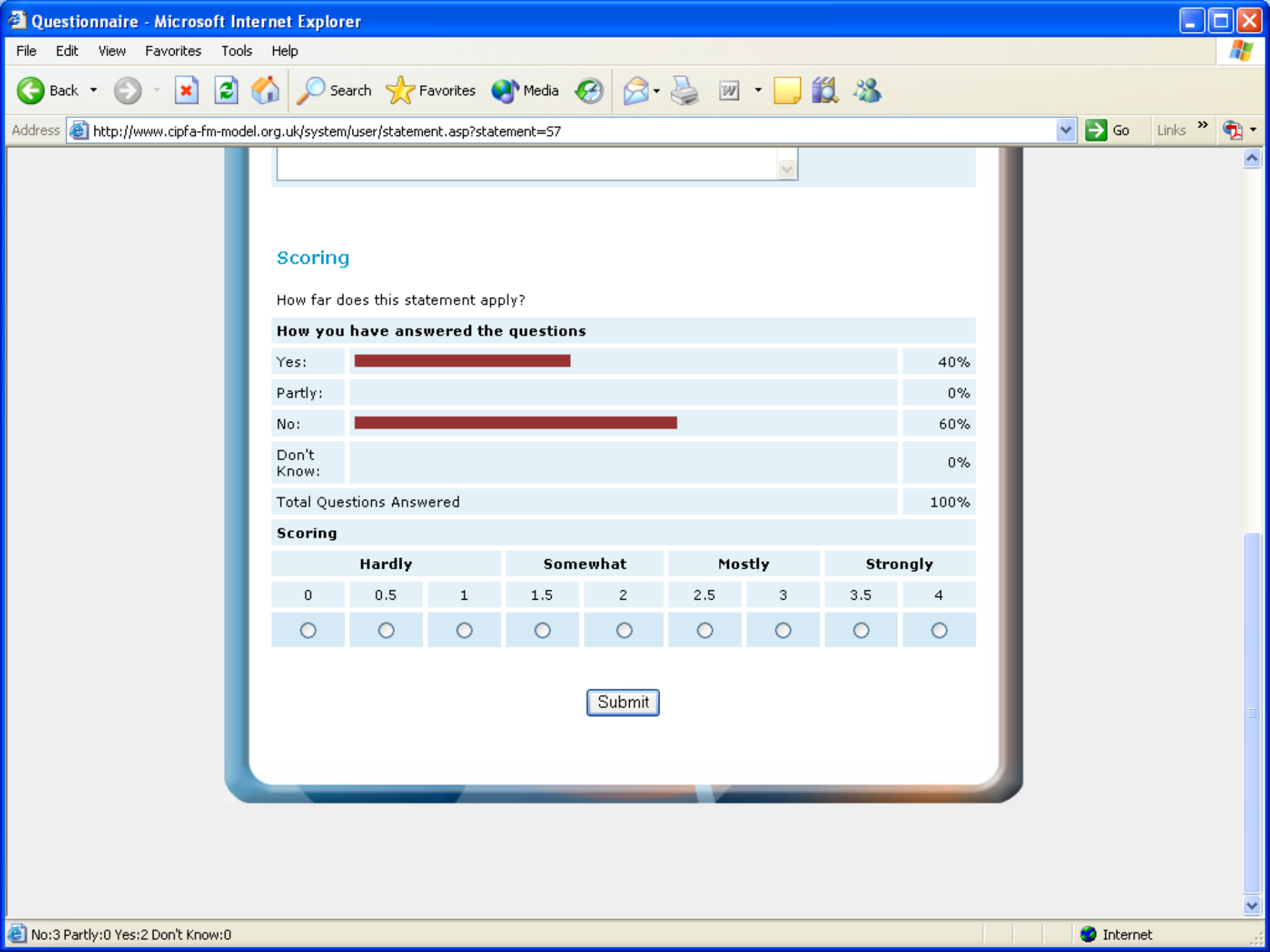
[BACK](#) [Introduction](#) [The Model](#) [Control page](#) [Log out](#) [Help](#)

### S7 - Customers and service users can bring influence to bear on key financial management policies, including resource allocation and tax decisions.

This questionnaire scoring is 0% complete 

		Yes	No	Partly	Don't Know
1.	Are there processes to gather users'/residents' views about spending priorities and tax levels (eg residents' panels, web-based surveys, qualitative workshops/focus groups)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	Are consultation processes convenient and accessible and do they make efforts to contact hard-to-reach groups?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	Are stakeholders, partners and staff invited to shape and share the organisation's vision and strategic aims?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	Are the results publicised and fed back to participants?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	<b>Are there positive examples of these results being used to influence policy?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Record your observations and evidence



Questionnaire - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Media Mail Print Word Pad Find People

Address <http://www.cipfa-fm-model.org.uk/system/user/statement.asp?statement=57> Go Links

Scoring

How far does this statement apply?

How you have answered the questions

Yes:	<div></div>	40%
Partly:	<div></div>	0%
No:	<div></div>	60%
Don't Know:	<div></div>	0%
Total Questions Answered		100%

Scoring

Hardly			Somewhat		Mostly		Strongly	
0	0.5	1	1.5	2	2.5	3	3.5	4
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Submit

No:3 Partly:0 Yes:2 Don't Know:0

Internet

## Financial Management Organisational Report (2)

	Leadership	People	Processes	Stakeholders
<b>Max Score</b>	32	28	64	32
<b>Organisation Score</b>	13.5	16	54	22
	42.19 %	57.14%	84.38%	68.75%



Click to view more detail



Click to view more graphical detail



# Questions

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**THANK YOU /**



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