

CGMA[®] REPORT
TRANSFORMATION
AND TRANSPARENCY

Managing local government
performance



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EXECUTIVE SUMMARY

The business of local government is far from straightforward. Local government organisations must juggle fiscal, geographical and demographic challenges while addressing the demands of their many political, regulatory, citizen and business stakeholders. This applies to all types of local government: city, metropolitan, regional or state.

Based on surveys of over 1,000 local government and business leaders across the world, this report outlines a new role for finance in helping leaders address key performance management challenges.

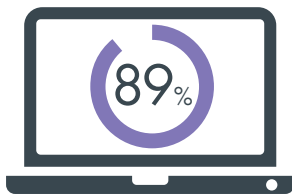
Here are some of the key findings:

Transformation is widespread but its value is not fully understood

We found that, while 70% of local government organisations were undergoing or had recently undergone significant organisational transformation, and a further 20% planned to do so within the next 18 months, one third are having difficulty quantifying the financial benefits.



90% of local government organisations are transforming



89% of local government leaders agree technology is vital to transformation

Local governments are struggling to harness the full potential of new technologies

Technology adoption is recognised by 89% of local government respondents as core to transformation efforts, with the biggest improvements being citizen focused. Yet although three quarters of local governments feel that they are effectively measuring the value of their IT initiatives, 40% struggle to manage data and share insights.

Disconnects still exist between what business needs and what local government organisations are providing

Local government and business have not always seen eye to eye. While 60% of business leaders feel that local government understands their needs regarding regulations, zoning, waste, technology and infrastructure, more than 70% do not consider local government efforts in service transformation, online processes and improved transparency to have added any value to their business.



70% of business executives say local government transformation efforts fail to add value to their business

Business has a new role to play in partnership with local government

Closer alignment between business and government is crucial, whether it is through new models of service delivery operated through public-private partnerships, or by opening up data pools to fuel innovation. Yet businesses say that local government is failing to recognise the investment opportunities which will support growth. The finance function, whose professionals speak the language of business, should take an ambassadorial role.

Transparency benefits internal and external stakeholders

Increased public scrutiny of operational performance brings significant incentive to local governments to deliver better services and outcomes. Yet local government is also reaping internal benefits, with respondents reporting “greater collaboration within our organisation” equally with “citizen trust” and “business trust and engagement”. Over three quarters of local government organisations believe that greater transparency had improved the quality of public service delivery.

Leaders prioritise performance management but fail to recognise the contribution finance can make

There is recognition of the importance of effective performance management, with performance review and improvement processes in place in 79% of local government organisations. 86% of local government leaders agree it is a critical focus. Looking ahead 18 months, there will be a significant increase in the establishment of defined processes to regularly review and improve performance, the use of external benchmarking, rolling plans and forecasts as well as outcome-based planning and budgeting. Yet, despite the need for financial skills within the performance management process, we found that finance plays a limited strategic role. This is a missed opportunity for leaders to build capability and talent within their finance function.

Leaders understand their future skills needs but sourcing talent is a challenge

Most local government organisations believe that they have a well-defined talent management strategy, together with a solid understanding of their current skills shortages and future skills needs. However, almost half are struggling to compete with their private sector rivals.

The Four Ts of local government performance

Sustainable success and effective performance management can be achieved by paying close attention to the “Four Ts”. Local government organisations, supported by strong, integrated finance functions, must address four key areas: the **transformation** of public services and the supporting **technology** structure, the demand for greater government **transparency**, and the challenge of recruiting, developing and retaining **talent**.

INTRODUCTION

The term “government” is frequently used in a national or federal context. But fiscal challenges and the devolution of public services mean that the role of city, metropolitan, regional and state governments (“local government”) is becoming increasingly significant.

Local government has always played an influential role in the lives of those it serves, whether they are residents, workers or businesses. Yet as cities expand and become economic powers in themselves, the role of local government in its various formats such as county, city, state or province is becoming increasingly important; if the New York metropolitan area was a country, its economy would rank 13th in the world. By 2030, six out of ten people globally will live in a city, and by 2050, this proportion will rise to seven out of ten, according to the United Nations.¹ This will multiply the challenges and complexities local government leaders face.

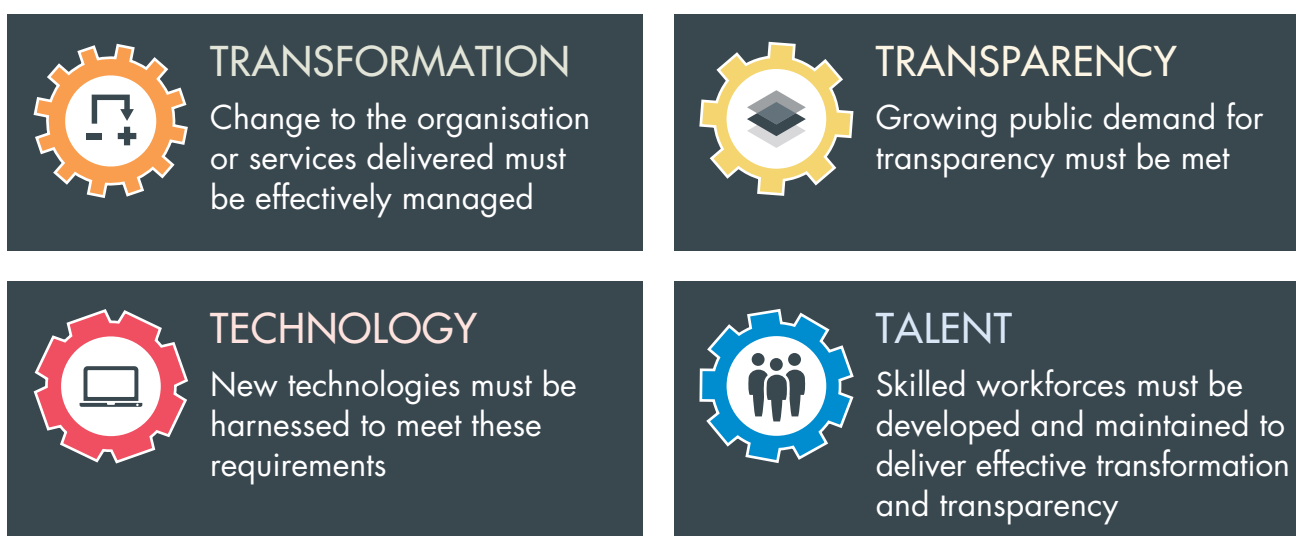
Value for the taxpayer

Our research, which explores current and future local government practice in 48 countries, addresses the multiple demands in the public sector. To fulfil the demands of politicians, citizens, businesses and other constituents within increasingly diverse urban

communities, governments must simultaneously meet the ongoing challenge of “doing more with less” and address four key areas. They must drive forward the **transformation** of public services, and enable the necessary **technology** to support this, while responding to increasing public demand for government **transparency**. In order to meet these challenges, they must also contend with the difficulty of recruiting, developing and retaining **talent** in an increasingly competitive market.

Strong performance in the Four Ts will be essential to local government excellence. While it has always been the case that best practice in government strives for efficient, economic and effective operations, successfully addressing these priority areas will ensure the capability of local government to deliver good (or better) outcomes for community residents, which demonstrate value for taxpayers’ money. Cost-cutting alone is not the answer; a more sustainable, panoramic approach is required.

FIGURE 1: The Four Ts – priority areas for local government



A business partnering approach

To address these challenges, local government leaders need to work closely with their finance colleagues. A strong, integrated finance function will help ensure that processes, operations, and delivery of services are carried out efficiently, that information is communicated in a timely manner, and that the desired public service outcomes are consistently met in a manner which demonstrates value for money. Although our research found that local government leaders work closely with finance teams on planning and budgeting, there was far less evidence of collaboration in the areas of business case development and decision support.

This suggests that finance teams are failing to achieve, or have not been enabled to achieve, their full potential as collaborative business partners. The development of the value-adding element of finance is often constrained by an organisational perception of the finance function as administrators rather than expert partners.

Business partnering

Defined as:

The combining of accounting discipline with business understanding to contribute insights to decision making and to influence the improvement of performance management.²

Business partnering takes the finance function from a transactional support and control role into a more strategic dimension. While this concept has proved its value in the business world, finance within the public sector often remains and is perceived as a siloed control function. To move towards a business partnering role, local government finance functions must demonstrate holistic operational knowledge of their organisation, its context, and the people and businesses it serves. Technical accounting skills alone are no longer enough to meet the new challenges.

One way in which the finance function can prepare itself for the future is to develop its management accounting capabilities, combining financial and non-financial information with organisational knowledge to support decision making.

Management accounting

Defined as:

Management accounting is the sourcing, analysis, communication and use of decision-relevant financial and non-financial information to generate and preserve value for organisations.³

This report is based on global surveys of over 1,000 local government leaders, local government finance professionals and private sector business leaders in cities and metropolitan areas around the world. It seeks to investigate the current and future impact of the finance function upon the 21st century city, in managing performance, controlling costs sustainably, supporting decision making and helping leaders address key challenges. We also investigate the changing demands of business citizens upon local government organisations.

Drawing on this research, we provide practical guidance to local government leaders and their finance colleagues on how to support and enable effective performance management practice in local government service delivery.

SUPPORTING PERFORMANCE MANAGEMENT

Our survey found that, while local governments appeared confident about how they are performing and managing performance across the 'Four Ts', there are clear difficulties.

Transformation is widespread but the value-add is unclear

70% of local government respondents have either recently completed, or are in the middle of, significant organisational transformation in which the finance function has played an important role. A further 20% of respondents are undertaking a transformation initiative within the next 18 months. While “getting our people to adapt to change” was reported as the main challenge to transformation, the second and third challenges have more direct implications for the finance function:

- Analysing the financial impact of transformation initiatives by determining return on investment, cost-benefit or value for money
- Securing the necessary budget to support transformation

While fiscal constraints will have an obvious impact on availability of funding, the finance function has an important role to play in measuring, tracking, demonstrating and communicating the long-term value of proposed investments associated with transformation.

Technology adoption is seen as core to transformation efforts by 89% of respondents, and the use of technology to directly benefit citizens is considered to be the area in which the biggest improvements will be seen. However, although three quarters of local government respondents feel that they are effectively measuring the value of their IT initiatives, 40% struggle to manage data and share insights. This suggests that the full value and capacity of IT in local government has been under-utilised. The finance function has the opportunity to address this unrealised potential to turn insight into impact.

Top 5 challenges of organisational transformation for local government

1	Getting people to adapt	
2	Securing budget	
3	Determining cost benefit	
4	Finding the right skills	
5	Deciding where to focus efforts	

Transparency demands the right processes

The growing appetite for transparency has been recognised, and in some cases legislated for. For example, the UK's local government transparency code,⁴ intended to increase democratic accountability, requires regular disclosure of expenditure, procurement, grant payments, parking revenues and fixed assets.

As stakeholder demands for openness increase, government leaders are working to make their operations more transparent. We found that over half of local governments already consider themselves significantly transparent, with performance indicators, budgeting and decision-making documents open to public view. Looking ahead, 76% are expecting to increase their level of transparency over the next 18 months. This figure rises to 92% over three years.

Key benefits of transparency for local government

Business engagement	
Internal collaboration	
Business and citizen trust	
Quality of service delivery	
Operational efficiency	

Transparency is not as simple as sharing the latest budget or meeting minutes. It's about identifying the right sets of data, along with the appropriate key performance indicators (KPIs), both financial and non-financial, which will demonstrate how effective local government is at meeting the needs of those it serves, and acting upon that information. Furthermore, full disclosure demands that the manner in which performance metrics are measured and calculated is made clear.

The rise in transparency has created the opportunity for citizens and other stakeholders to become more engaged in policy making. Some organisations have developed innovative approaches to citizen-centric collaboration.

One example of this is the City of Edinburgh Council's online 2015/16 budget planner,⁵ which allows residents to make simulated budget allocations and borrow capital investment funds. As residents make their allocations, they are advised about the implications of their choices with regard to impact upon other services and the legal obligations of the organisation. This approach has the advantages of engaging citizens with the budgeting process and gaining greater organisational understanding of citizen priorities. At the same time, it raises awareness among citizens of the trade-offs that are an inherent part of constrained budgets.

The finance function indisputably has a crucial role within the transparency agenda. Equally, government leaders must strive to create processes that encourage openness and foster a culture of collaboration and sharing.



92% of local governments expect to become more transparent over the next 3 years

Effective performance management is essential

Among local government organisations, the importance of effective performance management is recognised, with 86% agreeing that performance management is a critical focus for their organisation, and 79% having a process to regularly review and improve performance. The majority are using tools and frameworks to track, measure and communicate performance, and expect their use to grow over the next 18 months (see figure 2). While the majority of performance management processes take place outside the finance function, the use of external benchmarking, regularly updated rolling plans and forecasts covering multiple periods, and outcome-based planning and budgeting is set to rise significantly, demonstrating the opportunity for finance to take a more strategic and

influential role. However, finance teams may not yet be harnessing this wider potential, particularly with regard to decision support.

Regardless of the tools or framework chosen, an effective performance management system should follow four steps: strategy, plan, execute and review (see figure 3).

Geographically, the widest use of rolling plans and forecasts is in the US & Canada and Europe, with around three quarters of local government organisations using this approach. Rolling plans and forecasts encourage a regular reassessment of plans and activities throughout the year, meaning that local governments can react more quickly to current events and changes in demand. In Europe, we see a similar percentage rise in outcome-based planning and budgeting, reflecting a growing focus on outcomes and impacts over inputs and outputs.

FIGURE 2: Tools and frameworks used to track, measure, and communicate local government performance

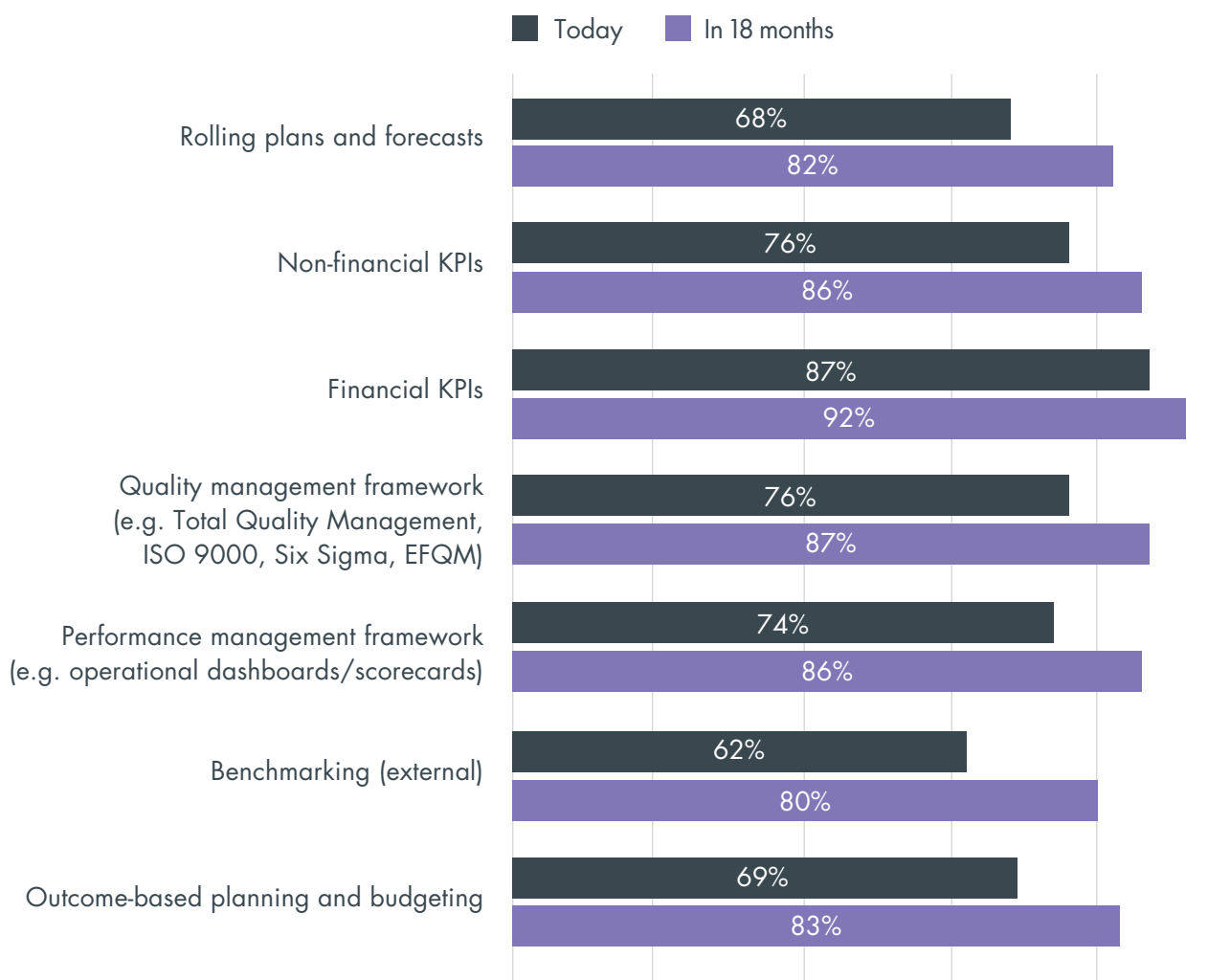
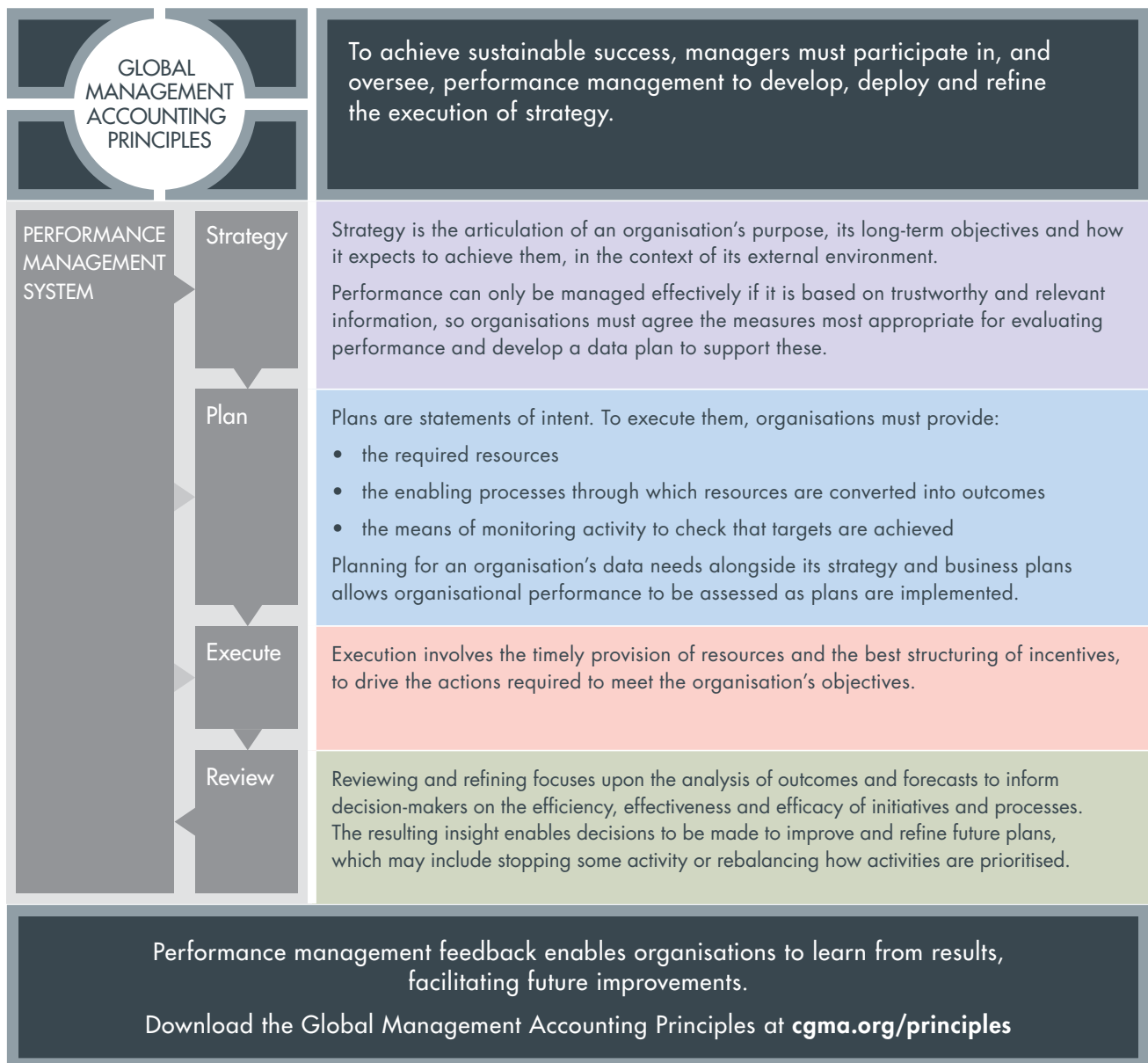


FIGURE 3: The Global Management Accounting Principles® Performance Management System



Strong financial leadership

Given the changing context of local government, it is vital that the finance function is fully prepared for the inevitable challenges in managing cost and performance. There is recognition of the need for strong leadership, with over one third of government respondents citing traditional leadership skills as the most valuable attribute in senior leaders. Foresight, adaptability and operational knowledge of the broader organisation are also considered to be of major importance.

Yet leadership from the top is only part of the solution. At all levels, finance staff will play a leading role in capturing the right data, contributing analysis and insight and, most importantly, communicating this internally and externally in understandable, meaningful and useful ways. Finance leaders must ensure that they and their teams are ready for the transformation challenge in terms of skills, capabilities, technology and “knowing the business”.

FROM GOVERNING TO PARTNERING

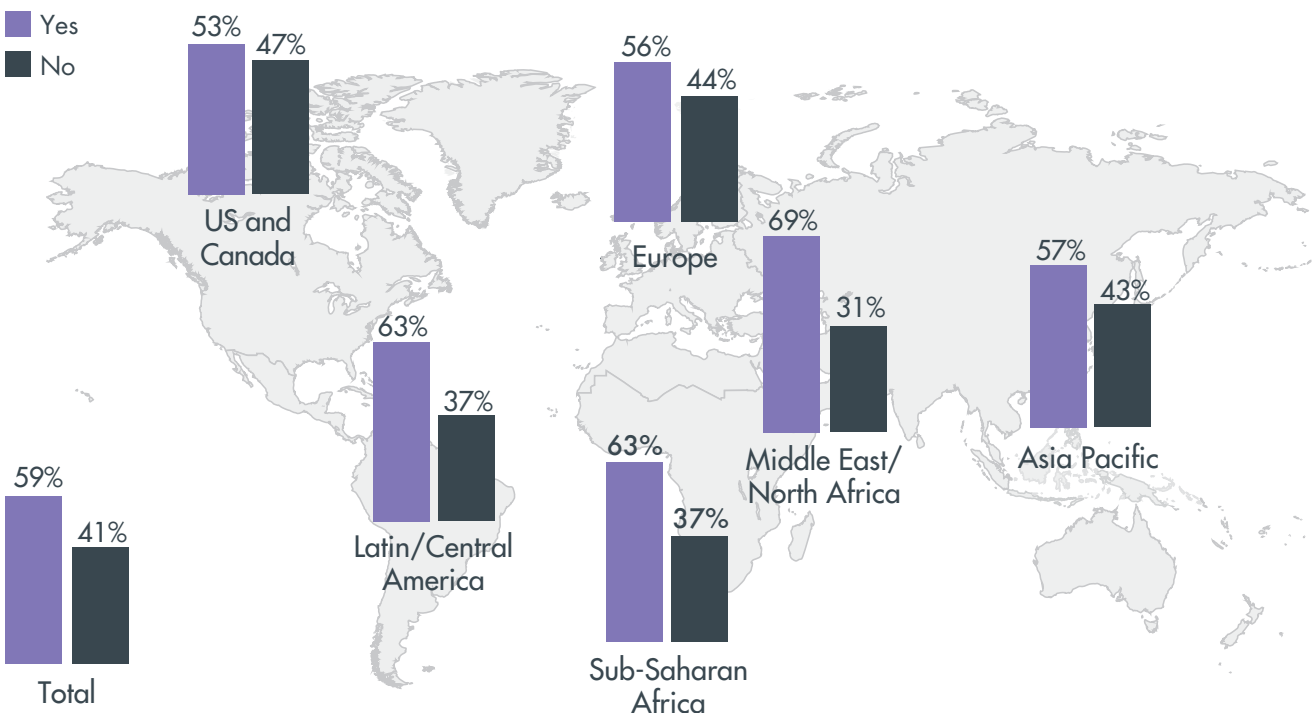
Local governments must consider decentralised alternatives to traditional service delivery models. This is a valuable opportunity to develop new, more citizen-centric services alongside the people and businesses which they serve. However, a key concern is that government respondents do not see transformation delivering significant change to the finance function role.

Local government is changing rapidly. While continually striving to manage costs, local leaders must also consider how to create new infrastructure in an environmentally sustainable manner, strengthen relationships with outside providers, enhance communication with citizens and address the needs of private sector businesses. Knowing where to focus efforts and making the right decisions to transform public services requires a deep understanding of the needs of the various constituents, and the ability to think predictively.

Transformation involves a significant change in approach to an organisation’s operating model, technology, process and/or service delivery, in order to improve efficiency and deliver better outcomes. There is a clear role for the finance function in decision

support for organisational change, but according to our research, 41% of government leaders believe that their transformation initiatives will not result in a significant and permanent change to the operational role of the finance function (see figure 4). This perception was highest in the UK and US and is an area of significant concern, suggesting that finance is, in many cases, still regarded as a siloed support function. While it could be the case that finance is already well integrated within local government operations, recent studies of national government finance functions⁶ suggest otherwise. Indeed, the rise in remote shared service centres may be reinforcing the perception of finance as an “out of sight, out of mind” support function, a misconception which finance professionals must continue to challenge.

FIGURE 4: Government leaders’ views on whether their transformation efforts will lead to a significant and permanent change in the operational role of the finance function



Finance function structures

Global research carried out to inform the **CIMA 2015 Syllabus** and **CGMA Competency Framework** found that the predominant structure of the finance function is one in which all finance work is done in-house under one department or directorate. However, an emerging structure used increasingly by large organisations splits the finance function into shared service centres (SSCs) and retained finance. SSCs are mainly responsible for accounting operations. They can be in-house, outsourced, offshore or onshore.

Retained finance is responsible for aspects of finance relating to the systems of engagement. Irrespective of structure, there is an increasing use of technology by the finance function.

We found that, in some organisations, finance professionals have become business partners. They are embedded in different areas of the organisation, engage with those outside of finance more frequently and seek to influence decisions and actions more directly. This requires a deeper understanding of the organisation, its context, and the remit of its various parts, together with the ability to communicate beyond the numbers.

Evidence of greater transparency

Transparency

Defined in this study as:

Making government more accountable to its citizens by providing insight into how money is spent and decisions are made, allowing citizens to make informed decisions about the public services they use, and giving providers incentives to improve the quality of their services.

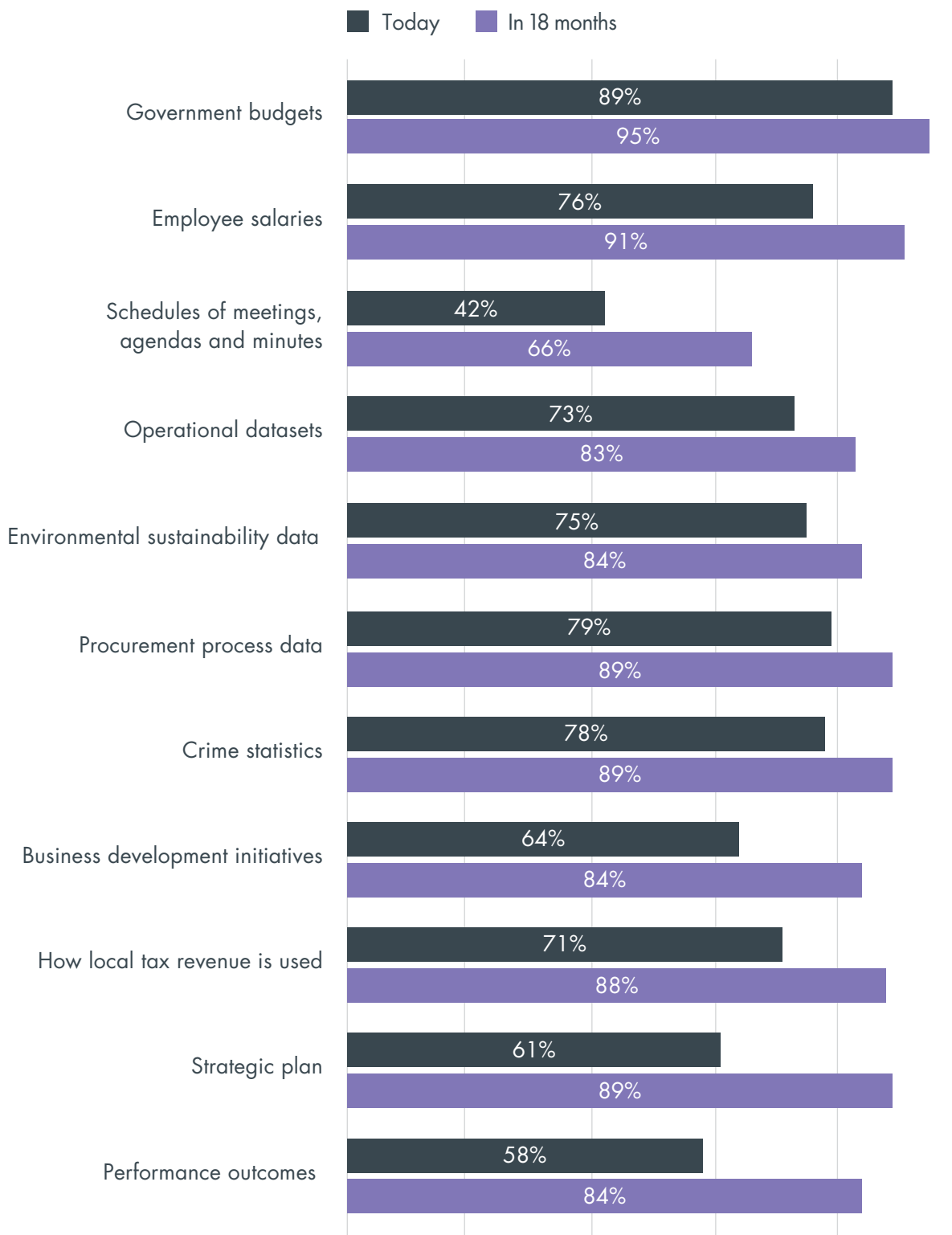
We looked at current and future levels of transparency in specific areas of local government information, and the impact this has had upon citizen and business trust and engagement, operational efficiency and quality of service delivery. Local governments said the information that is most shared relates to budgets, procurement processes, crime data and statistics, employee salaries and environmental sustainability. Information about meetings, decision processes and operational datasets such as on-time records are far less likely to be shared, though this will change significantly over the next 18 months, with the reported rise in mobile technology and data analytics investment likely to have significant impact (see figure 5 overleaf).

But will this rise in transparency actually benefit local government stakeholders? Only 20% of business leaders agree that increased transparency has enabled them to make better business decisions. Care must be taken to ensure that, rather than passively replicating internal paperwork, information is presented to citizens in a relevant and engaging manner.

Our survey found that while transparency is often seen primarily as a way to increase trust and engagement between local government and its external stakeholders, there are equal benefits internally. Overall, local government respondents say the greatest improvements resulting from transparency have been “greater collaboration within our organisation”, “citizen trust” and “business trust and engagement”(all at 79%).

The rise in accountability, resulting from increased public scrutiny of operational performance, incentivises local governments to deliver better services and outcomes. A total of 77% feel that greater transparency has improved the quality of service delivery. Yet 16% of respondents are still struggling to identify the right metrics to share.

FIGURE 5: Information local governments make available externally



Business expectations

Businesses have high expectations of local government and improvements have been recognised, particularly in the areas of communication to business (31%), attracting established businesses to the local area (30%) and the use of technology to directly benefit business citizens (29%). It is clear, however, that there is still a long way to go.

We asked business leaders which public services are the most important to them in deciding where to set up new or expanded operations in urban localities (see figure 6). They consider transportation and highways to be the crucial factor. Large infrastructure projects such as these, which require in-depth evaluation of strategic options, present a significant opportunity for the finance function to step in and prove their worth.

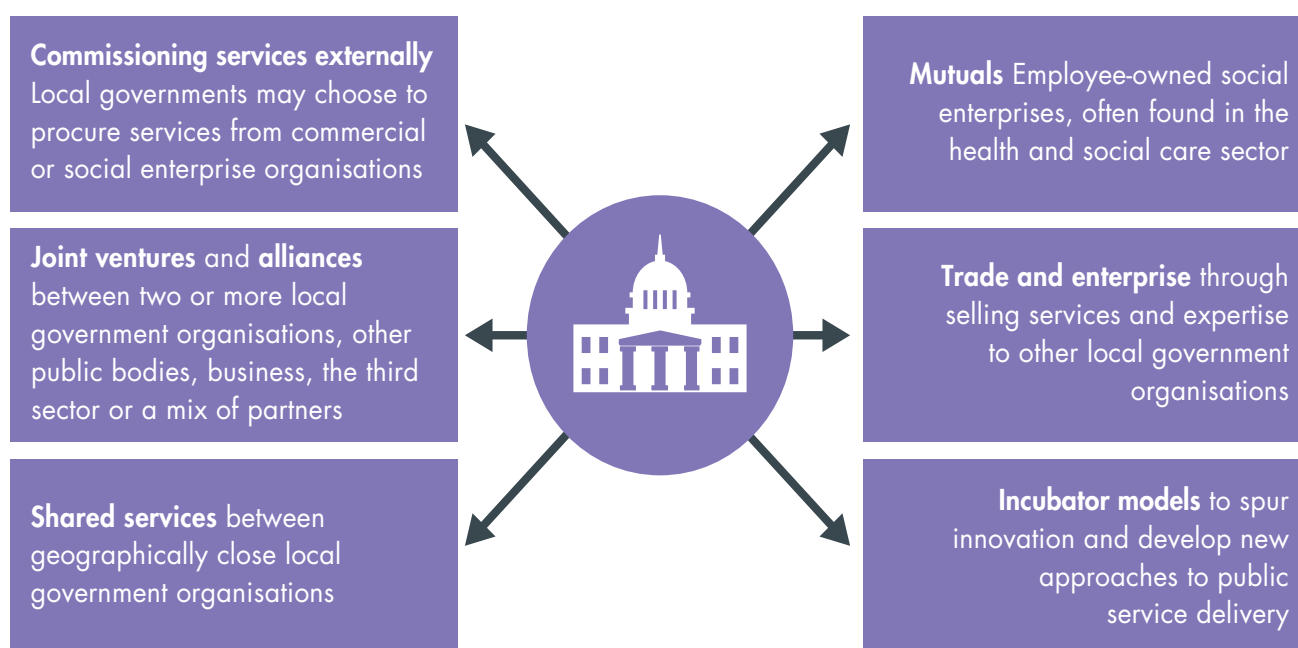
A wider portfolio of skills and competencies within the finance function will become crucial as local governments work to improve their ability to plan ahead, operate and compete in a rapidly changing and increasingly data-driven environment. This wider skill set must go beyond core accounting and finance skills to include business acumen and organisational knowledge, as well as negotiating, influencing and leadership skills.

Local government can benefit significantly by empowering the finance function to act as agents of change, and by driving new opportunities for collaboration, innovation and transformation across the organisation and local communities.

FIGURE 6: Ranking of most important public services according to business leaders



FIGURE 7: New models of service delivery



Increased focus on public-private partnerships

Fiscal constraints and the challenge to deliver more for less have obliged many local governments to build capacity by making greater use of outside providers – as suppliers of goods and services, through outsourcing contracts, and through public-private partnerships (PPPs) which may take a variety of forms such as alliances, joint ventures or incubator models (see figure 7). Cost cutting is not the only goal. The power of the PPP is its ability to deliver efficiencies and outcomes which smaller public sector organisations may struggle to achieve alone, and larger public sector bodies may struggle to deliver cost effectively.

Yet to commission services effectively, local government must establish the skills to write and enforce contracts, manage relationships, set clear priorities and performance measures, and actively monitor to ensure high standards of performance by external partners.

Government leaders recognise the importance of developing successful PPPs, with nearly 90% saying they will put more focus on this over the next 18 months. Yet over one third admit that building successful PPPs is a significant challenge for their organisation, suggesting that the required skills are lacking.

Grasping the technology opportunities

Technology is at the heart of public service transformation, and government officials are increasingly adopting “SMAC” technologies – social, mobile, analytics and cloud – to improve communications, gain efficiencies and economies of scale, and make better decisions. But knowing which investments will yield the greatest returns, and how to execute a strategy to roll out new platforms and systems effectively, can be truly daunting. Even more critical is ensuring that tools are designed or adapted with users in mind, whether they are government employees, citizens or other constituents. We investigated levels of investment in SMAC technology over a three year period, the demands of citizens, and organisational competency in using these new technologies.

Customer-facing mobile services and data analytics are receiving the most significant investment, closely followed by digital security. In addition, over half of local governments had made significant investment in mobile technology for internal/employee use and for core operating systems such as Enterprise Resource Planning, supply chain and customer relationship management platforms over the last 18 months.

IT infrastructure projects are less of a priority, with only 40% saying that they are investing significantly in cloud computing, and 45% in architecture. This may indicate that local government decision makers are not thinking holistically about their long-term technology strategy and investment choices. For example, cloud computing platforms allow fast, efficient sharing and analysis of data, and enhance mobile capabilities.

Data privacy and security issues are the main concerns preventing greater uptake, according to a KPMG study⁷ which found that only 19% of governments globally had begun to implement a cloud environment. In addition, expectations of potential impact were low, with only half anticipating a reduction in costs, 28% expecting a change in operating model to result, and 39% predicting a change in interaction with constituents.

Meanwhile, according to our survey, 89% of government respondents say that technology is core to their transformation efforts, yet only 57% say they have sufficient budget to execute their strategy.

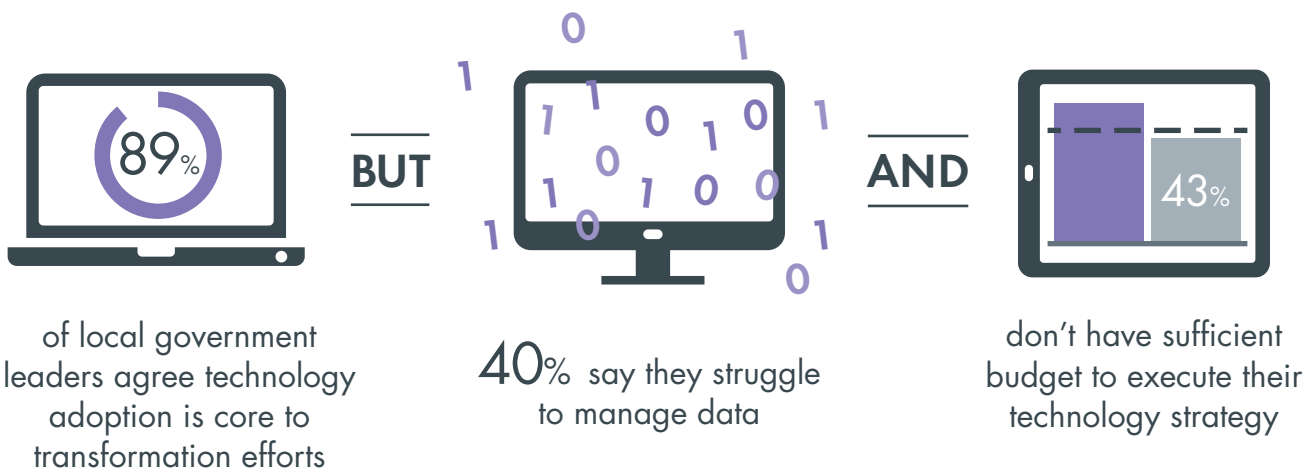
Finance leaders have a greater role to play in helping governments ensure their IT strategies are delivering the most value, by developing a clear understanding of the related costs and outcomes, clearly communicated to all stakeholders.

Seeking better performance management

Rising demand from citizens and business for high-quality public services, against a background of reduced resources, has increased the need for transformation. This necessitates better performance management, and better change management. With increasing focus on new delivery models, local government must develop its capabilities in the commissioning and project management of the services which were previously delivered centrally. Finance teams should grasp the opportunity to take a more prominent role as business partners.

Metrics are crucial to performance management, but our survey shows that local governments are not implementing these well – issues exist around identification and measurement. With the growing demand for transparency, inaccurate and misleading performance reports will destroy citizen faith in their local government organisations.

Local governments will not achieve their objective of delivering good/improved outcomes for citizens and business unless they solve these problems. Although local government organisations feel that they are performing well, our survey showed that businesses, as recipients of their services, often feel otherwise. Local government organisations must overcome this hurdle by proving their value to all stakeholders through the delivery of tangible and consistent positive outcomes.



FUTURE-PROOFING FINANCE

Local government finance capability is crucial to addressing the ongoing financial, environmental and demographic challenges. To enable and support this, local government leaders need to maximise the skills and talent within their finance functions.

Supporting partnership working

Finance can play a key role in addressing these ongoing challenges. While our survey suggests that, in some cases, local government finance functions are not acting as partners, this is achievable if two critical conditions are met. First, local government leaders must encourage finance teams to position themselves as partners and support them in that endeavour. Second, the finance function needs to demonstrate its own added-value potential. In short, local government finance can play a far greater role in addressing the “more for less” challenge.

Enabling an effective finance function

A 2014 CIMA study⁸ into how government finance teams can deliver greater value and accountability identified five key enablers:

- The organisation understands its business model
- Leadership demands, uses and rewards the right management information
- The finance function has the right structure and skills
- There is one version of the truth on costs and value
- There is the right balance of stability and flexibility in the financial framework

Employers today face significant challenges in attracting, developing and retaining talent for all job roles, not just future leadership. This war for talent is particularly relevant to the public sector, where wages are traditionally assumed to be lower than the private sector. A recent Deloitte report⁹ found that European government leaders are often frustrated by public sector employment policies, such as the inability to offer performance-related bonuses. Yet numerous studies have shown that there is more to a fulfilling career than financial reward. People are drawn to public service careers for a variety of reasons: work-life balance, attractive benefits such as generous holiday entitlements, the challenge and interest of the work involved, or simply the desire to “make a difference” to society.

Managing talent

Governments must explore incentives, rewards, and compensation structures that enable them to attract and retain the talent and skills needed to succeed in the digital age. But in order to support this investment they must also develop a stronger understanding of where the required skills are lacking across the organisation, both today and for the future.

Developing a talent management strategy is not only about recruiting and retaining good people. It involves identifying and addressing potentially critical capability gaps across various agencies and making sure existing skills are put to best use across the organisation. We identified some of the key attributes required of senior leaders in local government, leaders who can meet organisational performance objectives and drive sustainable success. Traditional leadership skills such as team building, coaching, and mentoring are the most valued skills, cited by more than one third of respondents (35%). Foresight and adaptability ranks second (29%), followed by operational knowledge of the broader organisation (28%).

Skills and talent

CIMA research¹⁰ on the changing role of finance shows the emphasis is shifting from technical skills and the production of good accounting information, which remains essential, to the application of financial disciplines in the management of a business.

Having technical skills alone will not suffice. A management accountant has to be competent to do accounting and finance work, in the context of the business, to influence people and lead within the organisation. Therefore, the competencies employers expect include not just core accounting and finance skills but business acumen, people skills and leadership skills, all underpinned by ethics, integrity and professionalism.

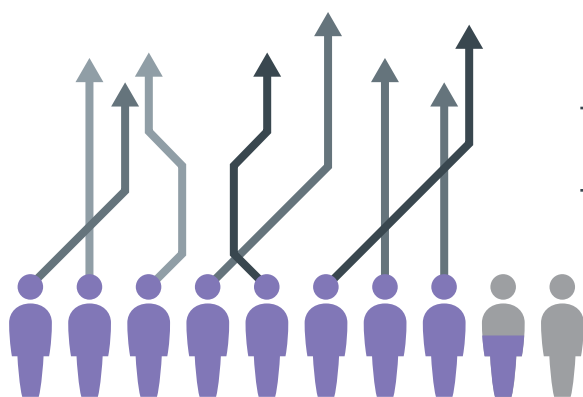
The war for talent

In our survey we found that local government respondents are positive about human resource planning, with 85% reporting that they have a well-defined talent management strategy. Most (82%) believe that they have a solid understanding of current skills shortages, and 79% are satisfied they understand how to address their future skills needs.

Despite this confidence, 46% say that they struggle to compete with the private sector for talent, with 50% saying that finding quality employees has become increasingly difficult, though this view is more widely held by government leaders than government finance professionals. A likely explanation for this difference is the prevalence of, and demand for, professionally qualified accountants within the finance function, where the value of these qualifications is universally recognised.

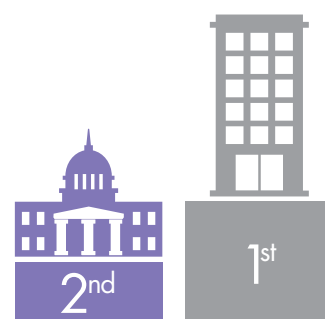
Only 63% are confident that they have the adequate budget and resources to train and develop their employees. Within sub-Saharan Africa, Central America and Latin America this figure is significantly worse, with less than one third of respondents reporting such confidence.

This skills gap has not gone unnoticed. Three quarters of business leaders globally feel that staff within their own local government organisations fail to create value for their business. Only 26% report receiving fast, efficient administrative service, with the same low percentage feeling that knowledgeable, trained staff handle their requests and enquiries.



85% of local governments have a well-defined talent management strategy

BUT



46% are struggling to compete with their private sector rivals

CONCLUSION

Enabling technologies which support the transformation of public service delivery are crucial to the sustainability of local government finance. Transparency is also high on the agenda. However, without close attention to talent management, the finance function will be less prepared to address the coming challenges.

Local government leaders must work closely with their finance colleagues in order to transform public services and improve transparency. However, transformation must be viewed as an ongoing activity rather than a single event. An effective performance management system will aid this process, bringing a clear, consistent and constant focus on organisational strategy, planning, execution and review.

There is great potential for local government and business to develop partnerships which create value for business and the community alike by using innovative models of delivery. Yet managing these effectively requires good, transparent management information.

While technical accounting skills are always in demand, there is a growing focus on people and leadership skills, such as communication, collaboration, motivation and team building. Local government organisations can be viewed as a series of interconnecting cogs, each with their own agenda. While oversight of these varied and sometimes conflicting elements can be challenging, a strong and integrated finance function is well equipped to assess the impact of change right across the organisation.

Achieving sustainable success across the Four Ts will require careful planning and execution, detailed monitoring and analysis of results, and genuine leadership. For many local governments, these capabilities already exist in the finance department; for others these skills must be developed. In either case, the retention of talent is crucial.

For a finance function to be truly effective, it must demonstrate that it has the necessary insight and influence to inform evidence-based decisions about the future. It must also show that it understands the risks, costs and value for money delivered through the use of alternative delivery models. In order to realise this potential, local government organisations first need to be clear about their own business model – the way in which they create, deliver, distribute and retain value – both now, and in the future.

But in order to achieve this, support from the top is essential. Local government leaders must enable the right structure, operating models and skills for the finance function, giving consideration to the areas and processes where resources may be freed up through automation and standardisation, or where a business partnering approach may be more appropriate. They must demand and reward the right management information, as well as using it to support decision making. And they must ensure there is “one version of the truth” across the organisation by standardising information and integrating technology infrastructure, in order to meet and exceed the demands of all stakeholders.

Leaders need to recognise and enable the true strength of their finance teams and facilitate the right decisions, at the right time, based on solid evidence. Local government finance teams should embrace this unprecedented opportunity to shape and influence the future of public services.

FOCUSING ON THE FOUR Ts

To address the ongoing financial, environmental and demographic challenges, local government finance capability is crucial. While local government leaders need to maximise the potential of the finance function, finance staff need to demonstrate and communicate the value they can add.

The following diagram identifies some of the ways in which finance professionals and leaders can support effective performance across the Four Ts.

FUTURE-PROOFING FINANCE		
THE FOUR Ts	ROLE OF FINANCE (VALUE-ADDING)	ROLE OF LEADERS (EMPOWERING)
Transformation Supporting significant change in approach to an organisation's operating model, technology, process and/or service delivery, to improve efficiency and deliver better outcomes.	Providing the right information to support decisions around the delivery of services using alternative models.	Providing the finance function with the right tools and access to relevant information.
Technology Making the right investment choices which will support and enable the transformation of public services.	Providing the right information to support investment decisions and calculating cost and value benefits.	Acting on the information provided and making decisions based on solid evidence of citizen benefit.
Transparency Providing insight into how money is spent and decisions are made, allowing citizens to make informed decisions and giving governments incentives to improve the quality of their services.	Identifying the right metrics to support desired outcomes. Ensuring that measurement is consistent and timely.	Demanding and rewarding the right management information and using this information to support decision making.
Talent Recruitment and retention of the right capabilities within the finance function, and raising financial awareness across the organisation.	Developing internal talent management strategies and understanding skills shortages.	Providing sufficient budget and resource to train and develop staff and the right culture and environment to incentivise them.

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About the report

This report is based on surveys of local government leaders, finance professionals in local government and business leaders.

This report is based on a survey commissioned by CIMA and the AICPA, and conducted by Oxford Economics, of over 500 local government leaders and finance professionals from 97 cities and metropolitan areas in 48 countries worldwide to identify current approaches to performance management and associated issues, both now and in the future, and how the finance function is working as a business partner with key areas of local government.

Using a second survey of 510 Chartered Global Management Accountants throughout the world we then investigated what today's corporate citizens expect from their local government organisations.

The surveys were conducted during August and September 2014.

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