

Managing budgets and delivering services - new challenges for the public sector post COVID 19

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Effective public sector management is about setting strategy, translating the strategy into operational plans and ensuring that the operational plans are delivered within available resources. In doing so they need to balance management of financial resources and delivery of services to citizens in a way is evidence based, focuses on citizens' priorities, and ensures equality of access to services in a way which secures value for money. In this article we set out some of the challenges in achieving this aim – and look at why the conversations between finance professionals and service managers can be difficult.

Why does this matter?

Finance professionals and service managers need to work together to provide information for political choice in budgets. To make this happen they need to talk to each other and understand each other's language. But anyone who has been in budget discussions will know why it is difficult. **Listen** to this conversation between a head of finance department and head of health service department which shows where the discussion might go.

The key lessons are that:

- A budget must be consistent with service priorities and targets – this is because:

- Budgeting is an expression of choices made i.e. choices about the what and how much of service delivery are reflected in the balance of financial and other objectives

- Allocation of resources via the budgeting process is an indication of priorities and preferences

- Finance professionals need to better understand what budgets are needed to deliver the services which the public administration has promised to citizens

- Service managers need to better to explain what different budget allocations mean for what they can deliver.

What can be done to ensure better co-ordination between budgeting and service planning?

Experience shows that it is important to:

- Start the process early enough – typically at least 9 months before the start of the financial year to which the budget relates

- Set out and agree pre-budget guidance and planning assumptions between finance and service professionals

- Set out corporate planning totals i.e. what the entity plans to spend based on what is affordable, taking into account revenue raising capability, medium-term financial sustainability over the multi-annual budget , borrowing capacity and service objectives

- Ensure that departmental planning totals take account of the service implications of these totals and the financial implications of service level decisions including service level change (e.g. new services, services to be withdrawn, changes in service standards)

- Allow sufficient time for negotiations and iterations.

These ideas fit within the “Recommendation of the Council on Budgetary Governance” published by the OECD’s Public Governance and Territorial Development Directorate.

As always OECD can be relied upon to produce helpful tools for self-assessment by public sector bodies.

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