



Finance Transformation Maturity Index

The index below sets out the typical **Finance** characteristics demonstrated by councils at each stage of their transformation maturity.

It is split into five levels (Level 1 being lowest and Level 5 being the highest).

A fuller definition of the typical characteristics of councils at each level is set out at the end of this document.

The following **financial capabilities** are covered.

- Setting budgets
- Monitoring and forecasting spend
- Project accounting
- Commercial acumen
- Analyse costs and benefits
- Manage benefits.

| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|-----------------|--|--|--|--|---|
| Setting budgets | <p>Ad hoc budget setting processes are in place, often with a “roll forward” budget from previous years plus any inflation/ pay and reward pressures built in at an organisational level.</p> <p>Little or no connection to the Medium-Term Financial Plan (MTFP).</p> | <p>Basic budget setting processes are in place, with links to organisational goals.</p> <p>Limited use of historical data and trends to define service, project and programme budgets for the next financial year.</p> | <p>Service planning is integrated with budget setting and linked to organisational goals.</p> <p>Project and programme budgets are set across financial years, and appropriately funded from revenue and/or capital budgets.</p> | <p>Budget setting is integral to strategic planning and decision making.</p> <p>External factors are analysed, and modelling completed to set budgets and define the MTFP.</p> | <p>Level four has been met.</p> <p>In addition, predictive analytics and tools are used to understand future service demand and cost pressures to inform budget setting and amendments to MTFP.</p> |

| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|----------------------------------|--|---|---|--|---|
| Monitoring and forecasting spend | <p>Limited financial processes or are in place to monitor service, or project and programme spend.</p> <p>Reactive responses exist to significant variances, with no impact analysis on overall budget and MTFP.</p> | <p>Defined budget monitoring and forecasting processes are in place but not embedded.</p> <p>Some financial controls are built into transactions. Forecasting accuracy is variable.</p> | <p>Budget monitoring and forecasting is integrated within project and programme lifecycle and linked to wider service and organisation budget reporting.</p> <p>Financial controls are in place and regularly reviewed. Forecasting accuracy is improved but not optimal.</p> | <p>Budget monitoring is integral to all levels of decision making and reviewed in combination with project/programme and service performance.</p> <p>Strategic variance analysis is completed, and proactive actions taken to mitigate any budget overspend risks.</p> | <p>Level four has been met.</p> <p>In addition, real time reporting of actual and committed spend and agile forecasting is available.</p> <p>Risk or outcome-based budget monitoring approaches may be applied.</p> |

| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|--------------------|--|--|---|--|--|
| Project accounting | <p>Project costs are tracked inconsistently with no formal project accounting processes in place.</p> <p>Lack of integration of project accounting with overall budget monitoring and forecasting processes.</p> | <p>Processes in place for project accounting, with regular reporting on project spend within project governance but a lack of oversight at a portfolio level.</p> <p>No project controls in place within transaction approvals linked to scheme of delegation.</p> | <p>Portfolio approach to management of project and programme spend in place and linked to wider budget monitoring and forecasting processes.</p> <p>Project spend controls in place to minimise the risk of budget overspends.</p> <p>Accounting treatment seeks to maximise financial effectiveness.</p> | <p>Proactive management of project and programme spend, with risks management and variance analysis in place to mitigate potential overspends.</p> <p>Project accounting is fully integrated into financial reporting and linked to organisational strategy.</p> | <p>Level four has been met.</p> <p>In addition, real time reporting of actual and committed spend is available and what if cost modelling completed on long term projects (e.g. construction.)</p> |

| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|-------------------|---|---|--|--|--|
| Commercial acumen | <p>Lack of understanding of market potential, competitors and business models.</p> <p>Profit and loss accounting is not built into systems and processes.</p> <p>Lack of knowledge of legal powers under statutory regulations.</p> | <p>Basic understanding of market and business models in place.</p> <p>Profit and loss accounting is defined but not widely understood.</p> <p>Market analysis undertaken and built into any commercial transformation options appraisals and business cases</p> | <p>Business plans in place for all commercialised services.</p> <p>Profit and loss accounting in place and integrated with financial reporting. Business plans are regularly reviewed, with commercial risk and liability assessments embedded within strategic risk management.</p> | <p>Level three has been met.</p> <p>In addition, a clear framework is in place defining legal powers in relation to commercialised services.</p> <p>Stress testing of commercial ventures completed at a strategic level across the organisation to understand and mitigate any risks.</p> <p>Proactive decision making is based on market analysis, and customer behaviour.</p> | <p>Level four has been met.</p> <p>In addition, predictive analytics in place to model service demand, and costs based on PESTLE factors.</p> <p>Market research is completed on an ongoing basis and business plans and models optimised to maximise revenue potential.</p> |

| | Level 1 | Level 2 | Level 3 | Level 4 | Level 5 |
|----------------------------|---|--|--|--|--|
| Analyse costs and benefits | There is limited, or no analysis of costs and benefits before projects start, or only partial information on which to assess value. | <p>Cost and benefit analysis is applied to individual projects but may not be complete (e.g. not all costs captured) or may not be scalable.</p> <p>A standardised approach is not in place, with no corporate oversight of the totality of transformation and change cost / benefit to enable decisions about the change portfolio to be made in the round.</p> | <p>A framework or standard approach is in place council wide to capture and assess cost and benefits, with relevant inputs from key stakeholders to ensure appropriate validation.</p> <p>Costs are tracked continually and benefits owned with clear targets and associated planned actions to meet them.</p> | In addition to a standardised framework being in place, benefits are monitored on an ongoing basis and decisions about investment in change made with the cost/benefit insights in mind, including what to scale and what to stop. | <p>Level 5 organisations have fully optimised cost analysis in place, including cost modelling capabilities that allow for scenario planning and appropriate contingencies catered for.</p> <p>At this level adherence to initial estimates is tracked as a measure of success with ongoing learning fed into future projects.</p> |

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|-----------------|--|---|---|--|---|
| Manage benefits | <p>Benefits are not identified or baselined appropriately at the start of projects or may be too broad to be managed (e.g. 'Improve customer satisfaction')</p> <p>There are no metrics used from baseline to realisation.</p> <p>Benefits ownership is missing.</p> | <p>Benefits may be quantified and baselined for individual projects, but may not be prioritised within the project or across the wider change portfolio.</p> <p>Monitoring is likely to be periodic rather than continual.</p> <p>Ownership may be embedded at a service level.</p> | <p>A clear, council wide benefits management framework is in place to ensure identification and prioritisation of benefits and associated activity at an organisational level.</p> <p>Benefit owners are clear on their responsibilities with related change actions tracked as part of overall planning.</p> | <p>Benefit management is embedded within the culture of the organisation, with continual monitoring in place and tracking used to inform start / stop / scale decisions.</p> <p>Lessons are shared between projects to enable maximum benefit.</p> | <p>The council has a track record of the accurate baselining and realisation of benefits within an overall effective control framework.</p> <p>There is evidence of the council sharing its learning outside of the organisation for the benefit of the sector / place.</p> |

Maturity level definitions

The following definitions define the general characteristics of councils at each stage of their transformation journey and should be read in combination with the specific characteristics of each capability.

Level One: Level one describes the typical capabilities and characteristics of councils who do not yet have whole organisation approaches to transformation in place. These councils are characterised by having lots of individual projects happening within services and with no joining up between them corporately.

Typically, success depends on the efforts of individuals rather than on processes and established ways of working. Coordination and communication are usually limited. Senior leaders may plan strategically but do not put the mechanisms in place to translate their vision into joined up action, often becoming disappointed or frustrated when initiatives fail.

Level Two: Councils with Level two transformation capabilities may have consistent practices in place within individual service areas or projects, or in pockets of the authority. This may include templates, standard processes, reporting and some repeatable ways of working.

Cross-functional teams, with representation outside of the service area, are often pulled together to drive project delivery, but these defined ways of working do not span the whole organisation.

Typically, at this stage there is some analysis and focus on strategic outcomes, and basic benefit capture and tracking (e.g. identifying and tracking savings). Usually there are a small number of defined roles in place including Project Management capacity.

Level two organisations are beginning their transformation journey.

Level Three: At Level Three, councils have integrated transformation capabilities and are applying standard ways of working across the whole organisation, incorporating continuous learning and best practice. Changes are managed effectively against an integrated governance structure that spans people, process, technology and financial. Teams share information across departments and effective, co-ordinated communication is in place that sets out clear organisational vision and makes the 'golden thread' between projects and organisational outcomes clear.

Roles and responsibilities are clear, enabling employees to understand their role in transformation and to be empowered to take decisions within their remit. Staff engagement is regular and enables two-way communication and problem

solving. Change resistance is managed and Senior Leaders understand, and invest appropriately in, all the levers needed to deliver effective transformation.

Level three councils understand what good looks like and are developing their capacity and capability to support transformational change.

Level Four: Councils who reach Level 4 are strategic in their approach to transformation.

This means that they go beyond aligning ways of working and linking activity back to the Golden Thread, implementing and embedding consistent, predictable, best practice ways of working that support transformational outcomes.

Accurate, real time or near real time data analysis is consistently used to enable actionable insights that drive decision-making and track progress. Metrics are used to understand what is working, and what is not, enabling changes to be made where needed.

The organisation has confidence in its decision making and is mature enough to stop activity where value has diminished.

Change resistance in Level 4 organisations is minimised and there is a more consistent culture across service areas due to effective communication and leadership.

Level Five: Level Five represents a best practice organisation that is fully optimised and self-optimising.

It is rare for councils to reach a fully optimised transformational capability and those that do set the benchmark for the sector.

A fully optimised transformation capability is evident in optimised processes, maximum productivity and efficiency, evidence of significantly positive impact on outcomes and the use of capacity created to drive innovation.