advanced

Bridging the Digital Divide

Public sector survey report

Introduction – Under Pressure

Public sector organisations are between a rock and a very hard place.

With falling real terms budgets – an anticipated £3.2bn budget shortfall for local authorities in 2023, and soaring costs driven by the cost-of-living crisis and inflation, they are under unprecedented levels of pressure to keep delivering vital frontline services to the taxpayer. Changes to the way they manage their finances, enabling them to achieve more with less, are fundamentally required and for some, long overdue. The UK government published a roadmap for digital and data in June 2022, Transforming for a Digital Future. The policy paper outlines the government's vision, priorities and actions to accelerate the digital transformation of public services and improve the use of data across government from 2022 to 2025. One of its key objectives is to enable more efficient and effective financial management and reporting in government. It states that the government will "improve the quality, timeliness and accessibility of financial data and reporting across government, enabling better decision making and accountability".

Setting out a common cross-government vision for 2025 and a set of specific actions required to achieve it.

This paper contains 6 missions that the government must deliver against to achieve the vision:

- **Transformed public services that achieve the right outcomes.**

- **Streamlined, single login for users with the 'Tell us once' Government campaign.**

- **Higher quality data to power good decision making.**

- **Secure, efficient, and sustainable technology.**

- **Digital skills at scale.**

- **A system that unlocks digital transformation.***

However, a recent survey conducted by Advanced, has revealed some alarming findings about the current state of financial reporting and forecasting in local government. The survey, which questioned procurement professionals from various public sector organisations, found that more than half of them are heavily reliant on time-consuming manual processes for key activities such as reporting, forecasting and budgeting manually, using spreadsheets and paper-based processes. The survey also found that even where digital systems are in place, they are often outdated, fragmented and incompatible, leading to data quality issues, duplication of work and inefficiencies.

£3.2bn

budget shortfall for local authorities in 2023

* This includes working with HM Treasury on updates to budgeting guidance to help make it simpler for teams to manage their allocations, including the way they account for spend on key services such as Cloud technology.

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The Existing Digital Divide

The survey results suggest that there is a significant gap between the government's digital ambitions and the reality on the ground.

Public sector finance and procurement teams are facing multiple challenges in meeting the government's demands for faster, more accurate and more transparent financial reporting and forecasting.

Some of the main challenges for public sector organisations include a lack of:

- **time and resources to implement digital solutions.**

- **skills and capabilities to use digital tools effectively.**

- **alignment and integration between different systems and data sources.**

- **trust and confidence in the quality and reliability of digital data.**

Current solutions

Diving into the results, the majority (73.8%) of public sector organisations in the survey say they already have a system in place to control spend management and prevent rogue spending. However, 15.3% say they have a system but still struggle with spend management, and more than one in ten - 10.7% say they have no system in place. This adds up to more than one-quarter of public sector finance teams who are not using digital spend management solutions effectively, if at all. It appears that the public sector is lagging considerably behind its private sector counterparts, and is hindered in its efforts to deliver the value for money that council taxpayers expect and deserve.

The issue of rogue spending is interesting, as in many cases this doesn't happen for malicious reasons. Instead, non-spend management teams are often unaware of agreed processes and protocols around buying goods and services and manage this directly, therefore missing out on the discounts and negotiated deals already available to colleagues in procurement. When policies are well advertised and implemented, this just should not happen, and implementing robust digital software can reduce rogue spending significantly.

Digital solutions are crucial for procurement teams seeking to improve contract management too. Without an efficient digital platform with automated contract date reminders, businesses can find themselves caught in an expensive auto-renew process for a product or service they no longer need. Similarly, they can get stuck with an existing agreement that might have been available more cost-effectively elsewhere, or renegotiated on a multi term with preferential rates or fixed indexation to minimise pass through. Designed for purpose procurement software is a reliable safety net in these instances and when all employees are properly briefed and trained to follow organisational-wide procurement policies, rogue spending rates can drop significantly.

32.3%
use manual processes for the often-complex activity of supplier management

Data

The government has identified access to higher quality data to power good decision making as a key objective for a digital future. Currently one third (32.3%) of respondents in the survey are not confident that their finance and spend data is up to date, and 35.4% say they have issues with accessing data when they need to. Replacing legacy on-site servers with Cloud-based digital solutions provides all teams with an identical, up to the minute picture of all data that can be accessed immediately for reporting, forecasting and budgeting on the fly. Importantly, Cloud-based data can be accessed from anywhere with an internet connection, so employees working from home or from other locations can work just as effectively as those in the office.

Finance and procurement have been managed for decades using spreadsheets, but these can soon become unwieldy as the volume of data increases, making it more difficult to access and locate it within a number of spreadsheets. This is particularly challenging for local authorities that are managing a vast array of services - from refuse collection to parks, social services to street lighting, and are accumulating vast amounts of data very quickly. 15.4% of respondents told us that inadequate data storage is the reason for experiencing poor quality data, an easily avoidable problem in these days of unlimited data availability in the Cloud.

The most likely reason given by survey participants for experiencing poor quality data is lack of integration between disparate systems (56.9%), highlighting the need for more integration and single-sign on solutions. Human error is also high, 53.8%, highlighting the need for more automation that can help reduce input errors and miscalculations. Spreadsheet-based information can contain small errors, made when inputting or managing the data, that can lead to incorrect conclusions and decisions based on inaccuracies that could be costly, potentially even jeopardising customer and supplier relationships. Automated solutions now incorporate AI and other technology that can spot mistakes and anomalies, before they become an issue.

Even though over two-thirds, 67.7% tell us they are confident that their finance and spend data is up to date (32% say they are confident) and 64.6% say they have no issues accessing data (23% say they do have issues accessing data), over half, (50.7%) say they are still doing budgeting processes manually. 47.7% are doing manual forecasting and 41.5% are producing reports manually. This could be so much faster, and accurate, as well as easy to update frequently, if using an automated digital solution that can generate reports whenever required, as often as needed. The need for accurate and up to date data is well recognised, but many seem to be stuck with old-fashioned and inefficient processes for managing and using it for important business decisions.

50.7%
are using manual processes for budgeting

47.7%
rely on manual forecasting

41.5%
use manual processes for reporting

Using technology that automates every stage of the procurement journey helps eradicate mistakes, demonstrating greater transparency that enables better accountability as well as more effective procurement decisions. This is vital for organisations charged with spending the public purse, and controlled by strict rules of governance.

Other reasons given for experiencing poor quality date is having poor data management processes (40%), and being unable to update data in real time (30.7%). A Cloud-based solution can fix that straightaway. 30.7% identified a lack of skills / expertise with current systems as the cause, highlighting the need for simple and straightforward solutions that have easy to follow workflows and processes.

Over one-third are still doing manual data capture and entry, which is more susceptible to human error than an automated system, and almost one-third (32.3%) are using manual processes for both supplier management, and maintaining compliance with the latest regulations and legislation. Digital solutions can transform supplier management processes, helping teams to identify potential risks – including risk to continued and reliable supply, or third-party supplier issues and the complexities of third party risk management.

Good finance and procurement software also has compliance built in, with automated workflows that make it difficult to sidestep correct processes and best practice to ensure all legislative requirements are met.

23%
have issues accessing data when they need it

32.3%
are not confident that their finance and spend data is up to date

Transparency

Digital solutions use automation and artificial intelligence (AI) to go through vast datasets quickly. They can easily identify inconsistencies that may flag money laundering or other fraudulent activities that would take a human many hours to locate. They can therefore transform what might be an arduous and time-consuming task into an automatic activity, that happens as a regular part of the day-to-day function.

Compliance with legislation is important for all organisations, but particularly for the public sector. Additional financial governance regulations permit financial directors in local government can take fewer risks than counterparts in entrepreneurial private sector, and they must provide full transparency around their activities. Perhaps surprisingly then, one-third (32.3%) our respondents told us that they still use manual regulation and legislation compliance processes, leaving themselves open to making errors, falling behind when changes are imposed, and making it more difficult to achieve the required transparency around those processes.

Environmental, Social and Governance (ESG) is an important metric for public sector organisations that not only have to deliver excellent return on investment (ROI) for the public and other stakeholders, but also need to respond to public appetite for sustainable and ethical practices. As public servants they have a responsibility to demonstrate best practice and a high benchmark in this area. Over one-half (55.4%) tell us that they always consider ESG when making decisions around processes and partnerships and 38.5% say they sometimes do. Procurement solutions can help rate and select suppliers on basis of carbon impact, which is important for all organisations seeking to measure sustainability and demonstrate improvements in areas such as carbon emissions, recycling, and waste management. The metrics of all organisations in a supply chain can affect the scores for the others under Scope 3 emissions measurements, so any organisation seeking to work towards carbon net zero needs to be mindful of its entire supply chain.

55.4%

tell us that they always consider ESG when making decisions around processes and partnerships

How to Bridge the Digital Divide

Currently, 13.8% of respondents say their organisation doesn't have a digital accounting and procurement system.

Meanwhile more than two-thirds (67.7%) say they do have a digital solution but that it needs improvement. This leaves less than one-fifth (18.5%) who believe their digital system does exactly what they need it to. If organisations have invested in appropriate software to help them achieve greater efficiency, we must ask what is holding them back. 30.7% told us that one of the reasons that they experience issues with poor quality data is down to the lack of skills and expertise with the current systems used in their organisation. While staff training is an important element in any transformation project, it may also be that some have adopted systems that are difficult to use and leave employees spending too much time battling the software, preventing them from getting the most out of it. The best digital technology exists to make lives easier, and in the working environment, that means making working lives easier.

Overall, public sector organisations are working to achieve digital transformation and improve efficiencies. Over one-third (33.8%) tell us they are actively looking to implement digital transformation projects to boost finance and spend processes, and another 33.8% are planning a digital transformation project within the next 12-24 months.

33.8% are actively looking to implement digital transformation projects to boost finance and spend processes

However, a surprisingly large one-third (32.3%) tell us digital transformation isn't a priority for their organisation. This represents a significant disparity between what the government wants to achieve and what organisations are focusing on. It also highlights the need for public sector organisations to partner with a trusted digital software and services provider that has a strong track record in local government and understands the specific challenges experienced by their finance and spend management teams. It is essential that any investment made, yields results.

67.7% believe their existing digital system needs improvement

Even though digital transformation is not a priority right now, many organisations recognise the potential for technology to improve productivity and results. Almost six out of ten (58.5%) tell us that they would expect that by improving their finance and procurement capabilities they could increase time savings over manual processes. More than two-thirds (67.7%) would expect improving their finance and procurement data management capabilities to help them identify and realise savings, leading us to believe that in many organisations, finance and procurement teams are facing a tough battle to make the case for digital transformation. With so much pressure on public sector organisations to achieve cost savings while continuing to deliver key services, the challenge is in convincing leaders to make this crucial investment now.

58.5%
expect that improving finance and procurement capabilities would increase time savings over manual processes

In order to achieve the necessary transformation, finance and procurement teams may need to take the following steps:

- Develop a clear business case and strategy for digital transformation.

- Engage with senior management and stakeholders to secure buy-in and support.

- Identify and prioritise the most critical pain points and opportunities for improvement.

- Evaluate and select the best-fit digital solutions that meet their needs and requirements.

- Implement change management and training programmes to ensure successful adoption and usage.

- Monitor and measure the outcomes and benefits of digital transformation

67.5%
would expect to identify and realise savings as a result of improving their finance and procurement data management capabilities

Some technology providers offer a modular approach to their digital solutions, enabling organisations to address the most urgent challenges first, and then add further solutions as efficiencies and cost-savings are achieved. This is useful for public sector organisations that are struggling with budget shortfalls and a growing cost base, allowing them to transition more slowly towards their digital ambitions.

Finance and procurement teams need to urgently embrace digital transformation and adopt modern, cloud-based solutions that can automate, streamline, and standardise their financial processes. If they do not act quickly and decisively, local authorities and other public sector organisations risk falling behind their peers in other sectors, losing credibility and trust with their customers and stakeholders, and failing to deliver on the government's expectations for digital excellence.

About Advanced

We are a dynamic British software and services business with over 20,000 global customers, providing mission-critical software that helps our customers accelerate and transform digitally.

Our Enterprise Resource Planning (ERP), Human Capital Management (HCM) and vertical market software solutions make a difference to millions of lives every day by making the complex simple, inspiring innovation and delivering exceptional customer service. By using our solutions, organisations are able to adapt to the changing needs of their business, the markets they operate in and provide their people with the right tools to excel.

We work with organisations in all sectors, from healthcare to legal, and of all sizes – whether they want to move to the Cloud, invest in ERP, manage core business functions through one unified system or upgrade their legacy applications. Our many customers include the NHS, Department for Work and Pensions (DWP), London City Airport, Virgin Money, Café Nero, Harvey Nichols, Woodland Trust and Norwich City Council.

With more than 20 years of experience delivering transformative solutions to finance professionals we exist to make a difference. Advanced Financials is powered by MyWorkplace, a centralised platform that provides access to multiple systems in one place, including HR, bringing down the barriers of multiple sign-ins and enabling our customers to achieve more, by doing less.

Engaging, diverse and inclusive – continuing to invest in our people as they are at the heart of our success – we strive to be the employer of choice in our industry. Through our strong social conscience, we actively care for our communities and our planet.
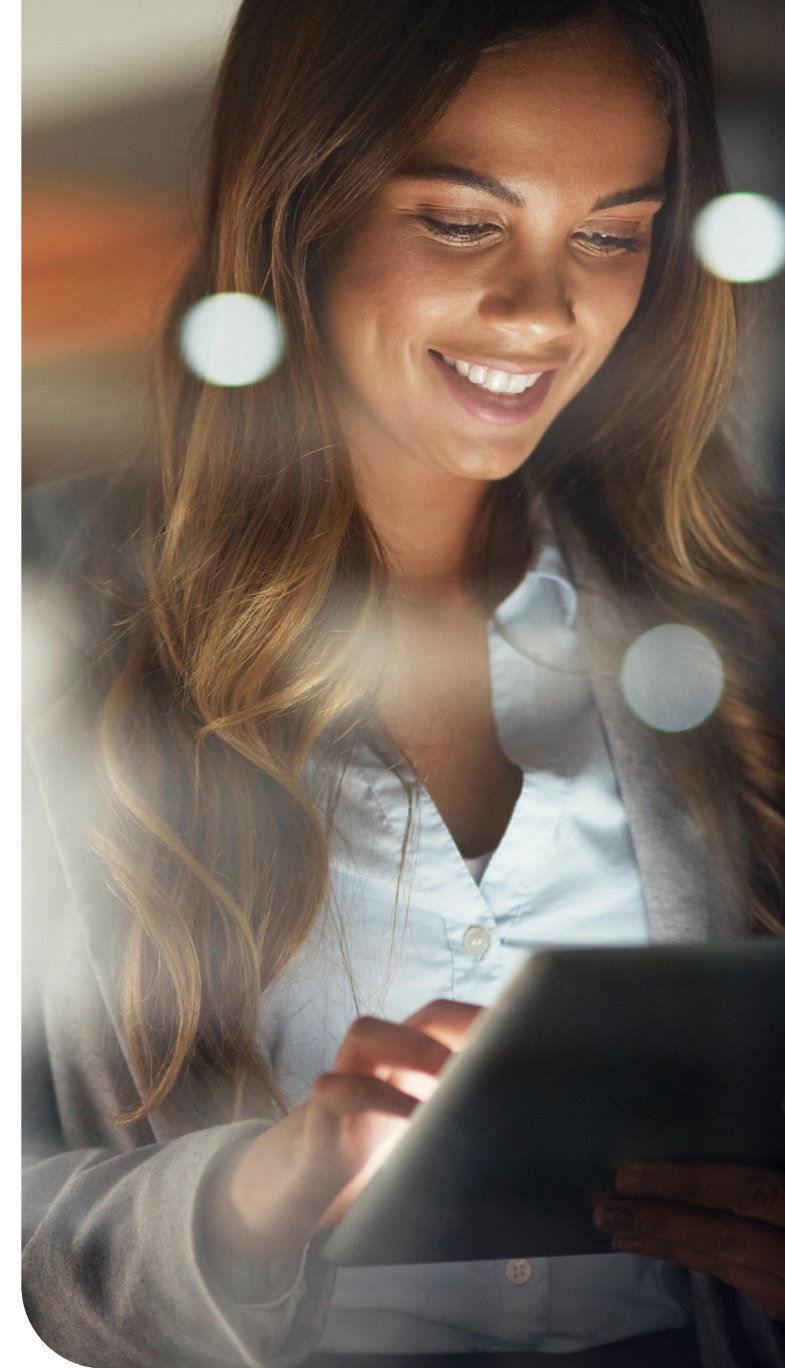
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We'd love to hear from you

We hope you enjoyed the insights from the survey. Our solutions can assist your organisation with current and future challenges. Contact us today to learn more.

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