ACCELERATING INNOVATION IN PUBLIC SECTOR FINANCE

Deloitte.

The technologies available to public sector organizations are more powerful—and more essential—than ever before. Forward-thinking governments need to understand the technological forces that surround them and look for ways to leverage those forces for the benefit of all citizens.

57%

OF FINANCE EXECUTIVES

are prioritizing **digital technology** implementations, improving their forecasting, and building analytics capabilities to improve their decision-making in 2024.*

Can innovation really be harnessed to improve budgeting, planning, and forecasting in the public sector?

Let's set the record straight:

> "Financial forecasting in the public sector means navigating long and mostly manual processes. I just don't have the time and feel like I'm always playing catch-up."

> "I'm not sure there are digital solutions out there to solve the key pain points I'm experiencing. And if there are, they'll probably take too long to implement."

> "I'm under more pressure than ever to solve complex problems using data-driven insights, especially when it comes to financial planning, budgeting, and forecasting."

> "How much impact is new technology going to have on my processes? I'm not sure if it'll really change anything."

TRUE	FALSE	TRUE	FALSE

With inconsistent (and occasionally low-quality) data, disconnected systems, and a backlog of work, many current financial practices in the public sector are labour-intensive.

Some solutions for planning, budgeting, and forecasting have become more widely available and affordable for governments. Innovation in the public sector has become a matter of when, not if.

Platforms that can automate high-volume processes and perform data analytics are widely available and accessible for governments, giving public sector employees the ability to make more data-driven decisions.

New technology can access multiple sources of data to make predictions, improving the reliability of public sector forecasts and discerning optimism bias within them.
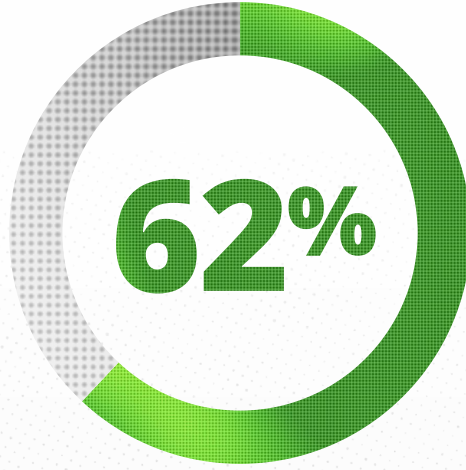
*All statistics taken from *Deloitte CFO Signals: What North America's top finance executives are thinking—and doing*, 2023 (quarters 1 to 3).
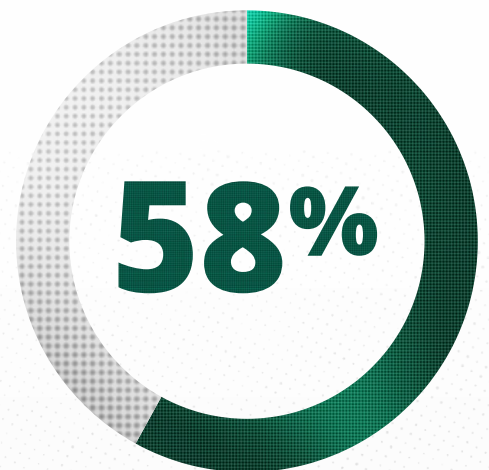
WHAT'S STOPPING YOU?

We asked finance executives what's hindering their access to data-driven insights in 2024. Here's what they identified as the top three challenges:
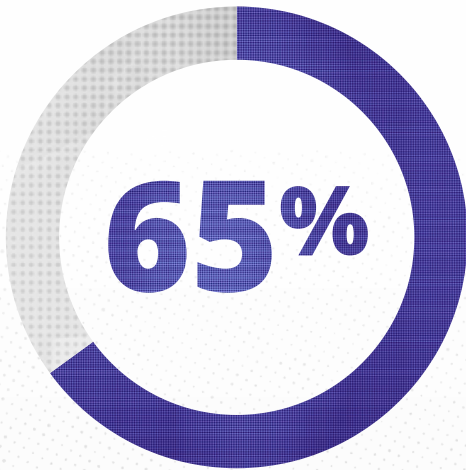
65%
INADEQUATE TECHNOLOGIES/SYSTEMS

62%
IMMATURE TECHNOLOGY CAPABILITIES

58%
LACK OF EXPERIENCED TALENT

HOW NOT LEVERAGING TECHNOLOGY PERPETUATES ROADBLOCKS

CONTINUAL DEMAND FOR BETTER INSIGHTS

Public sector finance executives need access to higher quality and more timely information to make informed decisions, but this need can't be met with current processes and systems.

LABOUR-INTENSIVE FINANCIAL PRACTICES

Deriving insights from financial and non-financial information can be challenging in the absence of quality data and effective technology and tools for analysis and reporting. Public sector financial professionals often navigate highly manual activities to compensate for information taken from disconnected systems.

CONSTANT STRETCH OF EXISTING RESOURCES

Time-consuming processes and overly lengthy reporting times mean limited staff is available to conduct data-rich analysis and inform decision-making.

LESS TIME TO LOOK FORWARD

When keeping their heads above water is the primary concern, public sector finance executives can't dedicate the time needed to think strategically about improving organizational resilience and delivering programs in a fiscally sustainable manner.

THE INNOVATION LIFE CYCLE

The good news: It's easier than ever to implement better, faster systems that are tailored to your organization's specific needs. In fact, it can be done in a matter of months or even weeks by standing up smaller solutions or minimum viable products (MVPs).
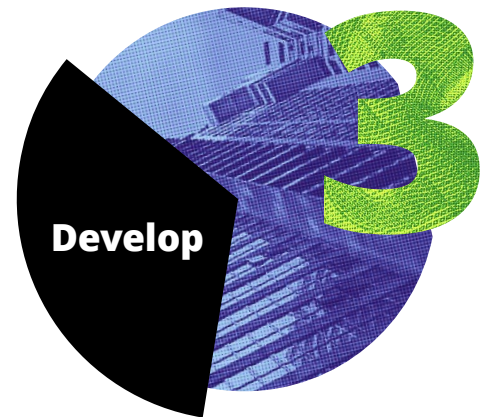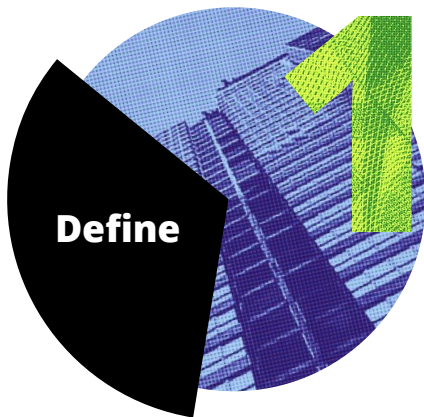
Define — 1

0 TO 6 MONTHS

- Identify the challenge and develop your vision for the future of planning, forecasting, and budgeting.

- Define the right variables for forecasting and the input data required for modelling and testing.

- Explore the technology and deployment environments (cloud, on-premises, hybrid) to determine the best fit for your organization.

- Assess previous similar initiatives (within your organization and others) and identify the obstacles to deployment and adoption.

Outcome: A tailored, insight-driven vision for the future.

Deliver — 2

6 TO 12 MONTHS

- Bring the vision to life. Model the forecasting problem, test the various models, and pick the best for your needs.

- Start with the MVP and validate the technology and deployment environment.

- Test the MVP and deploy it at scale in the target production environment.

Outcome: An innovative, efficient system.

Develop — 3

12 MONTHS AND BEYOND

- Determine the first target users and onboard them to start using the solution.

- Collect usage logs and analyze them to identify anomalies or unexpected results.

- Refine the solution through user feedback.

- Create onboarding and upskilling processes.

- Continue with iterative onboarding for your wider organization.

Outcome: An efficient forecasting process that's primed for innovation.

What could this look like in real life?
Below is just one example of the actions you could take for each step of the innovation journey.

STEP 1

Define your departmental spend by forecasting the next six months and comparing it with the budget.

STEP 2

Deliver a tailored forecasting model by collecting and consolidating data around pay and non-pay information to run optimistic vs. conservative forecasting scenarios. Then test the results and adjust the modelling parameters.

STEP 3

Develop your predictive model by exposing it to more diverse data and then deploy the model in the approved cloud environment.

CHANGING THE NARRATIVE

Innovative solutions are more accessible than ever.
The automation of high-volume processes, sophisticated analytics, and artificial intelligence (AI and generative AI) are now all widely available for governments. These solutions can help financial professionals arrive at more data-driven decisions, enable more responsive allocations of resources, and free public sector employees to focus more energy on activities that require their judgment and interpretation.

46%

of finance executives think the most promising potential uses of GenAI are for financial planning, forecasting, and analysis.

THE PATH TO MODERN FORECASTING

"Do more with less" is not a new concept for managers in government. But managers in financial planning are being asked to "do new with less." The ability to innovate is now considered an essential quality of governments. But how do you create a culture that fosters it?

Invest in innovation
Cloud-based tools can support the transition to more agile and efficient analytics, like reporting processes powered by advanced technologies like AI.

1

Use quality data
The use of quality data to make predictions leads to more accurate and timely decision-making as valuable information becomes more readily available for public sector financial teams.

2

Adopt nimbler processes
Move to more agile planning and forecasting processes that can adapt to continually evolving business conditions and enable managers to more effectively achieve their objectives.

3

Rethink the risk in financial forecasting
Utilize a risk-based approach for developing financial forecasts, only using bottom-up forecasting for more volatile business areas. Managers can focus on areas with the greatest risk of significant forecast/actuals variances, rather than applying the same approach across all areas.

4

Cultivate an integrated ecosystem
Break down information silos and integrate financial planning processes across functional areas (e.g. human resources, procurement, IT). Increased integration can lead to shortened forecasting cycles and more comprehensive, reliable financial information.

5

FAQ

Deloitte is committed to helping reduce barriers to the flow of ideas and information within and among public sector organizations. Some of these barriers are physical, others are built into information systems, but many are cultural or institutional—often the most difficult to overcome.

Want to clear a path to adopting innovative solutions for your financial functions?

Q My team doesn't have the capacity to complete all the work we are assigned. How can I remove manual effort from my financial processes to make better use of my staff's time?

A Automation of high-volume processes, advanced analytics, and AI solutions are now widely available to governments, and can free up teams to focus more energy on activities that require judgment and interpretation.

Q How can my team generate better insights from our analysis?

A Financial technology solutions that harness analytics and AI will help improve the quality and consistency of the data used in your analysis, which your team can then use to make more informed projections.

Q How do I manage the risk that the forecast may not be realized as predicted?

A By integrating data from various sources—procurement, human resources, project management, etc.—you can measure potential areas of softness in the forecast, such as stale commitments and stage of talent acquisition.

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