Financial Management Maturity Model

Maturity/ Qualifier	1 Reactive Supplier	2 Cost Accountant	3 Profit Partner	4 Active Stakeholder
Description	The organisation has in place financial management practices that are basic. The least mature IT financial organisation views IT as fixed overhead or as an unforecast cost These reactive IT financial management organisations have little visibility or accountability for IT costs. These organisations lack effective accounting, charging, and budgeting for most IT expenditures	The organisation has adequate financial management practices but will not be sufficient in challenging times. It is the most common maturity level for IT organisations. These organisations generally do not value services or seek to optimise their investments. Within these organisations, IT is viewed as a cost recovery organisation, and its budget is designed to match revenue with costs, with no profit. Internal IT organisations recover these expenditures through charging a fee across business units to recover IT funding.	The organisation has professional financial management practices which enable it to cope effectively in most circumstances. The IT budget is evaluated based on its business impact, similar to any other capital expenditure. This organisation aligns its financial management activities with its customers and services. The IT department works closely with the business units to develop a transparent charging methodology, which may be based on actual utilisation of IT resources.	The organisation has financial management practices that are leading edge in order to optimise its performance. These organisations use service investment analysis to evaluate alternatives for the IT budget. Service provisioning optimisation is used to benchmark current services and determine alternatives. The IT organisation charges internal or external customers through automated resource-based tools that identify the specific asset and services that use this asset.
Financial proficiency *What training and development in financial management is provided to IT staff?*	No training is provided to IT or other operational managers outside the finance team.	There is optional training for managers outside the finance function in basic finance skills.	The organisational culture encourages both professional and personal development and recognises the need for investment in people.	Expertise in financial management is seen as essential for career progression in many roles. There is additional optional training for managers who wish to develop their financial expertise.
Financial planning *How is financial planning and monitoring integrated with the organisation's strategic and corporate planning processes?*	There is a basic level of alignment between the strategic, corporate and IT planning processes. The plans cover the next financial year and often need to be updated mid-year due to changes in resource requirements rendering the plan out of date. The systems do not have the capability to automatically upload new information into the plans.	There is some integration of planning systems for the most sensitive areas of the business. The plans are produced for the next two to three years. There is involvement by operational managers in producing both the strategic and financial plans for the technology areas of the business.	Financial and operational plans are aligned with the strategic direction. The plans are produced for the three years, and longer in some cases. IT's financial planning produces timely information so that budgets and forecasts are readily updated in response to changes and used to help manage the organisation.	Senior management is clear about the strategic direction of the organisation over various timeframes. Financial and operational plans are fully aligned to the strategy at all levels. IT is fully conversant with all planning. Planning processes include active co-ordination with external stakeholders such as partnership members, in order to co-ordinate effort, remove duplication and deliver economies.
Financial planning *How robust are the systems for financial planning?*	There are some systems in place however these are inefficient and cumbersome. Additional supporting spreadsheets are required to reconcile the systems. There is a regular review of the processes, but little action is taken to improve them.	There are a number of processes in place for financial planning which include basic sensitivity analysis and scenario planning around areas which are known to be volatile. The mechanics of the budget preparation are straightforward and readily understood.	Operational management is responsible for producing the financial plans with finance staff supporting them. In this way, the plans are driven by the business, with support, expertise and co-ordination provided by the finance team. Spreadsheet analysis of sensitivities is used in informal models or benchmarks. The organisation reviews its processes every three to five years and uses feedback to improve them.	Operational managers own the process with the finance team operating as an effective support function. The planning processes include input from external partnerships and stakeholders so that the planning takes account of their perspectives. Objectives for financial planning and monitoring are built into operational managers' objectives. Strategies and plans are clearly communicated to staff. Models are used to improve decision making. The Executive regularly review the outcomes of the process, and the process itself, to identify areas for improvement.

IBRS ANALYSIS INSIGHT JUDGEMENT

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Finance for decision making *What understanding does IT have of its expenditure and cost drivers?*	Managers aware of some of the drivers of cost, particularly in the short-term, and some of the implications of changes in cost on their activities.	Costs are updated annually and summarised information is presented to the executive.	Cost analyses are regularly updated in year and summarised information is used by the executive. Summaries contain information on partners' activities.	The organisation routinely uses summarised current and forecast cost analyses. They understand which costs can be influenced and controlled. The summaries contain information on partners and competitors.
Finance for decision making *How are investment appraisal and project management processes used to evaluate costs and benefits?*	Outside finance staff have some understanding of financial appraisal and project management techniques, but regard them as an administrative process rather than a tool to help deliver projects to time, cost and planned level of quality.	Staff use financial appraisal and project management techniques to help them deliver projects and programs to time, cost and planned level of quality	The organisation gives consideration to the availability of funds and other resources when reviewing investment opportunities. It evaluates business cases and investment decisions using available information which may include cost models. Progress against plans is monitored and significant variations cause projects to be reappraised.	The organisation evaluates business cases and investment decisions by routinely using cost models to assess the efficacy of projects. The organisation flexes program life cycles to manage the availability of funds, without incurring additional future costs. There is effective decision making, with consideration of financial evidence. Progress against plans is monitored and significant variances cause both programs and projects to be reappraised; significant issues will be anticipated in good time. The organisation operates a program management approach to ensure that all programs and projects are co-ordinated and aligned to the organisation's strategy. Project and program financial controls are fully integrated with those of the organisation. The organisation routinely uses post project review to improve its processes.
Financial and performance reporting *How are the reports of financial and performance information tailored to the needs of the user, both internal and external?*	The organisation makes some attempt to tailor the reports to its perception of the needs of users. Users find reports difficult to understand, unless they are qualified finance professionals.	Reports can be understood by all users, and some effort is made to make the financial data easily understood by the lay reader. The reports have been tailored to the perceived needs of users. Internal users have been consulted for their views. External reports of financial statements are generally compliant with mandatory reporting requirements.	Reports are tailored to take account of both the information needs of each user group as well as their financial expertise. The format, content, and language are tailored. External reports include appropriate information presented in a way that is relevant and useful to external stakeholders. Risks and opportunities are highlighted.	The organisation routinely reviews the ongoing relevance of the suite of reports to ensure that any redundant or unused information is removed. The organisation ensures that the effort employed in report production is proportionate to levels of need and outcomes. Both internal and external stakeholders are regularly consulted about the information that they want to receive, they have been involved in designing the way in which the information is presented. The commentary accompanying reports to senior management includes significant financial metrics and highlights emerging risks and opportunities.

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Financial and performance reporting *How open, clear and concise are reports for internal and external users?*	Reports are complete but not presented in clear, understandable format for all readers. Commentary is limited and difficult for non-finance staff to interpret.	Some effort has been made to tailor financial data for non-finance staff. External reports contain transparent information and some concise commentary to make the key messages clear to the non-professional reader.	The monthly reporting packs to senior management and the executive contain key financial and performance data. Reports highlight risks and sensitivities and provide full transparent commentaries without prompting the direction of decision making. External reports contain transparent information on both over and under-performance and includes commentary to make the key messages clear to the non-professional reader.	Electronic reports to senior management allow the reader to drill down to lower level data when this is required. The monthly reporting packs to senior management contain the key financial and performance data. Senior management are used to published financial and non-financial information to report performance as clearly and concisely as possible. They routinely look for ways to improve their reporting. External reports contain information tailored to users' needs which are developed in collaboration with key external groups and partners. The organisation provides external information on its performance throughout the year, in addition to the annual report.
Business Impact	The organisation is aware of issues with the current financial management processes, which have been highlighted by audit. It becomes aware of potential overspends too late to be able to bring them back into line. Some projects are over time and cost and are of less than expected quality. The organisation reacts to reductions in funding by budget cutting due to a lack of understanding of the impact of changes on the costs and performance of initiatives.	The organisation manages well when the environment is familiar and stable. It may be significantly challenged by unforeseen events. Projects are not always delivered to time, cost and planned level of quality due to difficulties in anticipating and responding to risks. The organisation will achieve cost reduction principally through budget cutting.	The organisation responds to challenge in good time and looks ahead. Most initiatives are delivered on time and at a cost and planned level of quality. It understands the impact of change on the costs and performance of different projects and is able to deliver cost efficiency without reducing service quality.	The organisation anticipates and responds to the challenge of new circumstances. It delivers projects to time, cost and planned level of quality. It seeks efficiencies and improves the services it delivers while minimising potential increases in costs. There is a sophisticated understanding of the organisation's cost base and how to deliver service efficiently.