

CIPFA

CENTRAL GOVERNMENT PANEL NEWSLETTER

ISSUE NUMBER THIRTEEN

January 2004

AT THE HEART OF
PUBLIC SERVICES 

INTRODUCTION

Welcome to the thirteenth newsletter for finance practitioners and CIPFA members working in central government.

This issue contains information about recent and forthcoming seminar events. There are synopses of recent talks on central government finance developments, an update on the Whole of Government Accounts, news of a Leaders in Finance programme in March, a piece on CIPFA's response to the cabinet office efficiency review and a call for entries for the Public Reporting and Accountability awards 2004. Finally, there is some information about the Central Government Panel and about the Public Management and Policy Association (PMPA).

SEMINAR/EVENTS ON CENTRAL GOVERNMENT FINANCE

CIPFA is planning three one-day seminar events devoted exclusively to Central Government Finance in 2004 and a new two day event. For further detail, or to book a place, please contact Alex Aarons, email alex.aarons@cipfa.org

Some 60 delegates attended CIPFA's recent seminar 'Further Developments in Central Government Finance' in December 2003. Topics covered included an overview of current issues in central government finance, early accounts closure, resource accounting, the financial aspects of procurement, procurement and PFI, excellence in financial management and the Whole of Government Accounts. The event was chaired by Martin Sinclair, Assistant Auditor General at the National Audit Office and Chairman of CIPFA's Central Government Panel.

In his introduction, Martin Sinclair set the seminar event in the context of the recent changes announced by Sir Andrew Likierman - the decision to move from Principal Finance Officer posts to Director of Finance posts. Martin saw this decision

as a potent symbol of recent deeper developments. The next six to twelve months are likely to see a whole scale change. Yet at the same time, operational problems remain. The MoD, for example, still has cash-oriented pay systems. Such operational issues will need to be tackled head-on if the wider strategic issues, such as the Whole of Government Accounts and the convergence of accounting standards, are to be successful.

Christine Earls, Assistant Director, Finance from the Armed Forces Personnel Administration Agency, MoD, led the opening seminar with a practitioner's perspective of progress in financial management and challenges for the future. In terms of strategic developments, Christina suggested that the main elements were:

- ⚡ a recognition that professionalism is essential
- ⚡ the continuation of embedding resource accounting and budgeting in processes
- ⚡ Whole of Government Accounts
- ⚡ the convergence of accounting standards
- ⚡ corporate governance.

On the first issue, that of recognising the importance of professionalism, Christina welcomed the Treasury Statement on 1 December 2003 that "it is expected that Finance Directors will sit on their departmental boards. They will either be qualified accountants themselves, or have qualified accountants of sufficient statute to operate in their own right at the most senior levels of their departments and across the full range of financial functions working to them." Christina saw this move as representing the kind of support that operational staff really need – recognition from the top.

The convergence of accounting standards will impact on the accounts throughout government departments. The concept of 'prudence' is being redefined and by the

end of the current decade, many finance professionals will be unaware of what *SSAPs* (Statements of Standard Accounting Practice) and *FRSs* (Financial Reporting Standards) ever were. Those working in central government finance therefore face a challenge: to re-educate them-selves on the fundamental standards. She recommended the Accounting Standard Board's website at www.asb.org.uk website as a useful source for an overview of these developments. The ASB has a useful electronic newsletter 'Inside Track', published quarterly and available from the website.

Christina stressed that corporate governance issues need to be taken seriously. "Ticking and checking" may appear to offer an easy win but it fails to address the real issues. Rather, there should be a real embedding of procedures across the board.

Turning to operational issues, Christina saw a real need for the rediscovery of basics, basics such as:

- ⚡ deliver timely and better directed data on costs
- ⚡ compare and measure performance
- ⚡ improved devolvement, control and management of budgets
- ⚡ full use of IT eg spreadsheets and staff skills in specialist areas, allowing for improved use of resources
- ⚡ all above delivering better planning and decision making.

As professionals, customers now take a keener interest in our products to:

- ⚡ understand the balance sheet
- ⚡ understand their operating costs, budgets and related cost drivers.

In the second session, John Oughton of the Office of Government Commerce spoke on the financial aspects of procurement. In terms of the deployment of the military, the recent Iraq war had clearly been successful and procurement had played a

key role. Procurement should not be seen as an "add-on" to the Finance Function. It is, rather, a key part of the business of government organisations, and a whole life-cycle of process. Value for money should lie at the basis of public/private partnerships. Projects and supply teams should be integrated. In recent developments, the government has moved away from a PFI approach to IT. Those working in central government finance were advised that the OGC website will be publishing new guidelines as soon as these are issued.

John Oughton drew a vivid contrast between the success and failure of two recent partnerships. Transport for London's partnership had notched up a considerable success with the implementation of congestion charging, while the Home Office had been considerably less than successful in a major partnership project on criminal records. Yet the private sector partner in both instances was the same one. John attributed the different outcomes to the different approaches of the government organisations concerned – working **alongside** the private sector partner throughout was crucial.

David Goldstone, of Partnerships UK, spoke on Procurement and PFI. Partnerships UK (PUK) is the successor to the Treasury Taskforce, and has a similar remit and role: to deliver better value for money Public/Private Partnership (PPP) deals, quicker and more efficiently. PUK was established in 2000 and became a PPP in the spring of 2001.

Examples of what PUK do are:

- ⚡ support HMT and other Departments on PPP implementation
 - ∞ #standardisation of contracts
 - ∞ #project review and approvals
 - ∞ #policy issues (eg Green Book, VFM, accounting)
 - ∞ #project troubleshooting
 - ∞ #good practice guidance

- ⊘ co-sponsor, at risk, key or precedent setting deals
 - ∞ #schools, hospitals
 - ∞ #British Waterways Property
 - ∞ #MoD Aquatrine
- ⊘ invest in new forms of PPP
 - ∞ #e-portal for Scottish Tourism
 - ∞ #British Waterways Water Grid
- ⊘ investing in New Initiatives eg NHS LIFT
 - ∞ #NHS Plan Primary care targets
 - ∞ #a new sector for PPPs
 - ∞ #Partnerships for Health (PUK JV with DoH) established
 - standard procurement model
 - programme of replicable deals
 - rapid, efficient roll-out
 - invest in local delivery vehicle
- ⊘ progressing similar models for schools.

David saw a number of challenges continuing for the public sector side:

- ⊘ obtaining and retaining the skills base
- ⊘ the flexibility of projects
- ⊘ scale of projects
- ⊘ refinancing, and
- ⊘ staff conditions.

On the private sector side, the main challenges are:

- ⊘ bid costs and resources
- ⊘ deal flow
- ⊘ interface risk
- ⊘ completion risk.

PPP/PFI is now maturing as an established part of public sector procurement. It has scored demonstrable success against its original objectives. Continued issues are being tackled and resolved and models are still emerging to address the increasingly diverse demands for public service.

Coral Newton, Associate Director, IPF Consultancy and Training, updated delegates on a model developed by CIPFA for Financial Management to the Public Service. The model provides a comprehensive good practice template.

The model's uses include for self or peer assessment or for external assessment, as an improvement tool, and tracking progress over time. One approach in using the model might be for an organisation to start with an initial evaluation and planning process, carry out an electronic survey, facilitate workshops, analyse the results and finally, plan any necessary actions for improvement.

Comments on the model have been received from a cross-section of bodies across the public sector and 'road-testing' is currently underway in a number of central and local government and health bodies. The model's release is scheduled for early in 2004 and ongoing development is envisaged. Further information can be obtained from CIPFA – please email lesley.lodge@cipfa.org in the first instance.

Liz Passmore from the Treasury's General Expenditure Policy Team, spoke on the recent developments in Resource Accounting and Budgeting. The quality of government accounts has shown a steady improvement as the following table shows:

Table – Measuring Success: Quality

Audit opinion	1998-99	1999-00	2000-01	2001-02
Unqualified*	22	37	43	47
Qualified*	30	12	9	6
Total	52	49	52	53
* on 'true and fair' grounds				
HM Treasury				

Finance professionals in a full resource would need to think about the various non-cash consequences of decisions. They need to integrate into departmental systems and processes. Unexpected events also need to be coped with, such as revaluations, impairments or provisions. The role for accountants within the spending review process has broadened to include:

- ⊘ providing technical skills and advice
- ⊘ supporting policy advisers

- ⌘ communicating the implications of accounting policies
- ⌘ forecasting balance sheet analyses.

Key drivers for the process of change are – embedding Resource-Based Management, the Spending Review 2004, the Review of Efficiency and the need to achieve excellence in financial management.

Liz Corrin, also from HM Treasury, spoke on Early Accounts Closure. By 2005/06, each department will be expected to lay their accounts before the summer recess. Faster closing involves a wide range of people – audit committees, operational groups, central finance teams and third parties.

The Treasury's tips for faster closing are:

- ⌘ prompt account production as a critical business process – support of AO and PFO
- ⌘ establish quarterly or monthly resource-based management accounts and proper systems to support them
- ⌘ implement detailed account compilation programme – and ensure planning extends to everyone involved, not just finance staff
- ⌘ prepare complete pro forma account before the year end, and discuss with auditors
- ⌘ utilise quarter 3, month 10 or months 11 close on which to base final accounts
- ⌘ consider staffing arrangements – key staff and continuity
- ⌘ skills of staff
- ⌘ focus on account production
- ⌘ NAO progress meetings – issues, progress against timetable and review the process on completion
- ⌘ role and skills of the Audit Committee.

The final session of the day was given by Vicki Genrich of the Treasury, on the whole of Government Accounts (WGA). Vicki updated delegates on the progress on WGA to date. Progress is on track for the

publication of the Central Government Accounts for 2003/04 and published Whole of Government Accounts for 2006/07. Further information is available from the WGA website at www.wga.gov.uk

Government announces extension of WGA

Chancellor of the Exchequer Gordon Brown's pre-budget report on 10 December 2003 included the announcement that the Whole of Government Accounts programme will be extended to include local government and NHS trusts. The bodies to be consolidated into Whole of Government Accounts are expected to include, amongst others, local authorities, police and fire authorities, waste disposal authorities, public transport authorities, NHS trusts and public corporations such as the BBC and Channel 4. More details on the announcement are available from the WGA website.

Further information

Further information on the WGA announcement is available from the WGA website at www.wga.gov.uk and the ODPM website at www.local.odpm.gov.uk/finance/wga/index.htm

A brief introduction and a summary of the timetable can also be found on the CIPFA website at:

<http://www.cipfa.org.uk/pt/wga.cfm>

LEADERS IN FINANCE, 15-19 MARCH 2004, WARWICK UNIVERSITY

The next Leaders in Finance programme, jointly organised with Warwick Institute of Governance and Public Management, will take place at Warwick University from 15-19 March 2004. Aimed specifically at senior finance staff from across the full breadth of the public services, the programme majors on the

critically important themes: leadership, excellence and delivery.

For further details, or to book online, please visit the online CIPFA Shop at www.cipfa.org.uk

PUBLIC REPORTING AND ACCOUNTABILITY AWARDS 2004 – ENTRIES INVITED

CIPFA and PricewaterhouseCoopers have joined forces to promote the third year of the Public Reporting and Accountability Awards scheme. Its aim is to encourage excellence in public reporting and to identify and celebrate the best practice organisations whose imaginative approaches help to achieve real advances in accountability.

These awards seek to recognise and promote best practice in public reporting and accountability arrangements across the public services. Strong public accountability is a vital ingredient of good corporate governance. Modern accountability involves the provision of clear, timely information about what the organisation has been doing and what it plans to do, and crucially, it requires real engagement with the organisation's stakeholders.

This is not only a platform for you to share the good practice of your organisation but also an opportunity to help us inject stronger accountability into our public services. Completed entries should be received by 28 February 2004.

For more information and to enter online please visit the awards website: <http://www.cipfa.org.uk/accountability>.

CIPFA RESPONSE TO CABINET OFFICE EFFICIENCY REVIEW

CIPFA has responded to the Cabinet Office review of efficiency in the public services. In addition to setting out what do CIPFA sees as the main barriers to

efficiency, and how these barriers might be overcome, CIPFA's response includes a number of suggestions on how the Government could achieve major efficiency savings in the areas identified by the Efficiency Review Team, ie, Procurement, Back Office Functions, Transactional Services, Policy, funding and the regulation of the private sector, and of devolved public services. The response also includes a number of more general suggestions. The full text of the response is available on the Policy and Technical website at http://www.cipfa.org/pt/pt_details_r.cfm?news_id=18006

PUBLIC MANAGEMENT AND POLICY ASSOCIATION (PMPA)

The PMPA offers managers and policy makers a range of opportunities to keep in touch with and understand the wider cross-cutting developments in public policy making that affect the governance, general and financial management of public services.

Opportunities coming up include:

4 March 2004: Has Devolution Made a Difference? Robert Hazell. The Constitution Unit, UCL

18 May 2004: The Challenge of Developing leaders and organisations to deliver improved services. Keith Ruddle, Templeton College, Oxford.

To find out more

The PMPA is a national membership organisation managed and supported by CIPFA. Members of CIPFA, ACCA and CIMA are entitled to join at a discounted annual rate of £65 (2002-03).

Further information on joining the PMPA is available from the PMPA website – www.pmpa.co.uk (which includes a downloadable application form) or from Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL. Tel: 020 7543 5679;

fax 020 7543 5695; email:
sandra.harper@cipfa.org

CIPFA'S CENTRAL GOVERNMENT PANEL

The Central Government Panel generally meets four times a year and is responsible for all financial management and policy issues that affect central government.

The Central Government Panel's current members are:

Martin Sinclair (Chairman)	National Audit Office
Andy Anderson	Audit Scotland
Barry Atkinson	Independent
Brian Baverstock	Scottish Funding Councils for Further & Higher Education
Phil Butlin	Occupational Pensions Regulatory Authority
John Codling	Department for Work & Pensions
Paul Connew	KPMG
Alistair Cook	Passport & Records Agency
Heather Cousins	Northern Ireland Office
Christina Earls	Ministry of Defence
Steve Heminsley	Inland Revenue

Wil Huntley	The Environment Agency
Curtis Juman	Department of Trade and Industry
Lesley Lodge (Secretary)	CIPFA
Paul Simpson	Defence Estates Agency
Mal Singh	HM Treasury
Mike Suffield	National Audit Office
Martin Veale	National Assembly for Wales
Chris Welford	Electoral Commission
Steve Will	National Air Traffic Services Ltd

CONTACTS AND USEFUL LINKS

If you have any comments or suggestions regarding this Newsletter or the work of the Central Government Panel, please contact Lesley Lodge, Finance and Policy Manager, 3 Robert Street, London WC2N 6RL or email on lesley.lodge@cipfa.org

For further information on CIPFA's activities, click onto the CIPFA's website at www.cipfa.org.uk There is a separate section for the work of the Central Government Panel and for each of CIPFA's other Panels and you can purchase CIPFA publications online.