CIPFA The Chartered Institute of Public Finance & Accountancy

STRATEGIC PUBLIC FINANCE

September 2022

Duration: 3 hours

Instructions to candidates

There are **6** questions on this question paper.
Questions 1 and 2 are 30 marks each.
Questions 3 – 6 are 10 marks each.

Answer **all 6** questions.

Where a question asks for a specific format or style, such as a letter, report or layout of accounts, marks will be awarded for presentation and written communication. Marks will also be awarded for appropriate examples drawn from real life that demonstrate understanding and application of theory.

1

MEETING THE INFRASTRUCTURE GAP

New fiscal rules will underpin New Zealand's "measured and balanced" return to government surpluses while allowing the South Pacific country to meet its massive infrastructure gap, according to its finance minister.

Grant Robertson, giving his pre-budget speech on Tuesday, announced the government plans to run five years of deficits, including the two already passed amid Covid-19.

The government will be allowed to enter a technical deficit "from time to time", such as when booking upfront expenses at the start of an infrastructure project or major government programme.

'It is important that we do return to surplus because that gives us the best ability to address the key challenge of closing New Zealand's infrastructure gap."

Robertson said the country has a $104bn (£53.7bn) infrastructure deficit.

"For decades as a country we have failed to make the investments that we need to drive productivity and improve wellbeing," he said.

"Our fiscal approach means we can plan for the future; we can rip off the band-aid approach to infrastructure and invest properly to future proof for future generations.

"We can help them battle climate change, help them be more productive, make it quicker and safer to get around our country and get our goods to market."

Robertson said the budget, set to be delivered in two weeks' time, will pilot three-year funding cycles for justice and natural resources, as well as multi-year funding allocations for health and climate change.

He said the budget will see the government move away from broad-based economic support towards more targeted schemes, "to avoid exacerbating inflation".

Source: Public Finance Focus 4 May 2022

- **Requirement for question 1**

Major infrastructure projects should be planned properly with robust business cases to support decision making. The Treasury's Five Case model for business cases includes the Strategic Case, the Financial Case, the Management Case, the Economic Case and the Commercial Case.

Using an example of a major infrastructure project for a national government:

(a)

- Present details of the expected content of the Economic Case, with explanations of why it is important to include each item.

(10 marks)

(b)

- Explain the purpose of the Commercial case and describe the expected content of this section.

(5 marks)

(c) The Finance Team, and sometimes the CFO, will have significant roles in supporting good financial decision making through both contributing to and evaluating business cases as they develop.

More generally, the CFO has a broader set of roles and responsibilities as a leader.

- Discuss the key elements of the leadership role of the CFO in a public sector organisation, and the personal qualities you would expect an effective CFO to display.

(10 marks)

(d) The article refers to multi-year funding decisions.

- Discuss the benefits and problems related to medium term financial plans in relation to the challenges currently facing public sector organisations.

(5 marks)

(30 marks)

Syllabus Ref C3 WB11 for a and b

a)

The economic case should include the following:

Element to include	Why
critical success factors (the attributes essential to the successful delivery of the scheme, against which the available options are assessed)	So that the reasons for doing the project can be clearly established. Identifying the criteria by which success can be measured – Did we get what we wanted?
long listed options	To ensure the full range of options is at least considered in the first instance
short listed options (including do minimum. Three or four is the recommended number)	To enable useful comparison of the viable options
status quo; do nothing option (unless this is not credible)	So we can measure whether it is worth doing the project – will it be better than what we have now, this might be financial savings or improved quality, or both.
economic appraisals of costs and benefits with CBA and NPV	To fully understand the comparative costs, and identify the benefits
distributional analysis (where relevant)	To enable the comparisons and range of outcomes
optimism bias adjustment	To ensure that the project is realistic
risk assessment	To ensure the risks are properly documented so they can be appropriately managed
sensitivity analysis	To establish the impact of changing some of the variables, so the variables with the most impact can be managed where possible
the preferred option	To give a clear indication of the best option based on all the analysis above to support a decision that demonstrates Value For Money.

½ mark per element identified (left column) up to 5 marks that should be included in the case. Up to 5 further marks for explanation why these areas are important (right column) Should

refer to an infrastructure project to gain full marks otherwise only ½ mark per explanation. (max 10 marks)

b)

Commercial case

The Commercial Case demonstrates how the preferred option will result in a viable procurement and well-structured project.

This section of the business case includes the planning and management of the procurement. It requires the organisation to set out how the preferred option for spend will be procured competitively, in accordance with European Union (EU) and Word Trade Organisation (WTO) rules and the current regulations for public sector procurement.

It also requires the organisation to clearly specify the service requirements for the spending proposal in output terms, together with the anticipated charging regime and the allocation of risk in each of the design, build, financing and operational (DBFO) phases of the proposed scheme. In addition, it includes the contractual arrangements and specifies the accountancy treatment to be used for the proposed service.

In summary, the commercial case should include:

- procurement strategy
- service requirements
- charging mechanism
- risk transfer
- key contractual arrangements
- personnel implications (for example, the Transfer of Undertakings (Protection of Employment) Regulations 2006 protect employees' rights when the organisation or service they work for transfers to a new employer)
- accountancy treatment

2 marks for explaining the purpose and ½ mark per point for content up to 3 marks up to 5 marks total

Syllabus ref B2 WB8

c)

Key elements of the leadership role of the CFO in a public sector organisation

The CFO has a critical role for both external stakeholders and within the Leadership Team. In the public service context, CFOs should:

- lead and direct financial strategy and operations
- meet the demands of openness and accountability in decision making
- balance competition for limited resources across a range of worthwhile objectives,
- deliver value for money
- safeguard taxpayers' money

Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole.

Personal qualities

The CIPFA Statement lists the desirable qualities of a CFO under each of the five principles.

The main personal qualities can be summarised as:

- Robust and resilient leadership.
- Flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Able to network and build robust relationships both internally and externally.
- Working effectively with other Leadership Team members with political awareness and sensitivity.
- Address and deal effectively with difficult situations and challenge effectively, to give and receive constructive feedback
- Implement best practice in change management and leadership.
- Balance conflicting pressures and needs, including short and longer term trade-offs.
- Innovative to add value and a good communicator.
- Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a

broader focus on the environment and stakeholder expectations and needs.

- Act with integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour
- Develop and sustain partnerships, and engage effectively in collaboration
- Establish an open culture, built on effective coaching and a "no blame" approach
- Understand personal and professional strengths.

1 mark per point made not expected to cover all points in the model answer but must cover both role (up to 4 marks) and qualities (up to 6 marks) for full marks. (Total 10 marks)

Syllabus Ref B4 WB9

d)

There are a number of challenges facing the public sector which are both uncertain and will impact upon future spending decisions. Such examples could include, in the UK uncertainty over the leadership of the national government, the cost of living crisis and interest rate increases, ongoing responses to challenges such as COVID 19 and Brexit etc

A Medium Term Financial Strategy (MTFS but sometimes referred to as Medium Term Financial Plan - MTFP) supports business planning through identification of key budgets and the assumptions for change in future years.

Benefits of developing a MTFS are:

- Clear framework of planned expenditure to support decisions made already and to inform future decisions
- Transparent tracking of adjustments year on year
- Increased predictability of funds available, which can force clarity around criteria for spending in the short and medium term

Problems with MTFS may be:

- Figures included for later years might be considered as entitlement to budgets by managers

- Assumptions made might turn out to be wrong because of unexpected changes in service demand, the economy, political changes to central policy, or within the organisation itself.

A good MTFS relies on the skill and knowledge of the finance managers developing it, reliable information from the organisation's teams and realistic forecasting.

1-2 marks for current context or examples and 3-4 marks for benefits and problems. (max 5 marks)

2 RESPONSIBILITY FOR NATIONAL DEBT

Incoming Costa Rican president Rodrigo Chaves has said he will keep on top of debt payments, having previously said the government needs a new support package from the International Monetary Fund.

The former World Bank economist and finance minister was inaugurated on 9 May, and in his speech he committed to fiscal responsibility.

"The country has responsibility for its debts," he said. "[Costa Rica] has never failed to pay; we will do what we need to do to honour our obligations."

The Central American country has an external debt of 52.2% and total debt of about 70% of its GDP – high for the region.

Chaves won the election in April with nearly 53% of the vote on a platform of dealing with corruption and the cost of living crisis.

"I know the challenge seems hard, and it is, but let's not fall into despair," he said.

According to the World Bank Costa Rica is in many aspects "a success story in terms of development", having become an upper-middle-income country with steady economic growth in the past 25 years.

But fiscal and social challenges were intensified by Covid-19, with unemployment nearly doubling at the height of the pandemic and deficit-cutting efforts stopped in their tracks.

The previous government arranged a three-year deal with the IMF in March 2021, worth about $1.8bn.

In the latest review in March this year, the fund praised "a strong fiscal overperformance in 2021" but warned more progress was needed to ensure debt sustainability, calling "sustained fiscal consolidation" a priority.

Chaves, widely seen as anti-establishment, has previously said he wants to rework that programme to consolidate the debt, hinting at more ambitious deficit reduction.

Source : Public Finance Focus 9 May 2022

- **Requirement for question 2**

(a) Sometimes countries require economic help due to differing pressures at different times.

- Identify and explain all the main roles of the International Monetary Fund (IMF).

(5 marks)

(b) There are many technical arrangements in relation to international development aid such as grants, loans and other forms of international development finance (IDF) or types of debt relief.

Present and fully explain the types of:

- grants
- loans
- other forms of IDF

as categorized by the Organisation for Economic Co-operations and Development (OECD) that may be used to support countries in need.

(15 marks)

(c) Clearly explain the role of the Chief Finance Officer of any public sector organisation for both the following circumstances:

- As CFO of a donor organisation giving aid to others
- As CFO of a recipient organisations, receiving aid from others

(10 marks)

(30 marks)

Syllabus Ref A1 WB1

a)

The IMF website cites its roles as:

- **Surveillance** - involves the monitoring of economic and financial developments, and the provision of policy advice, aimed especially at crisis-prevention.
- **Lending** to countries with balance of payments difficulties, to provide temporary financing and to support policies aimed at correcting the underlying problems; loans to low-income countries are also aimed especially at poverty reduction.
- Third, the IMF provides countries with **technical assistance** and training in its areas of expertise.

Supporting all three of these activities is IMF work in **economic research and statistics**.

In recent years, as part of its efforts to strengthen the international financial system, and to enhance its effectiveness at preventing and resolving crises, the IMF has applied both its surveillance and technical assistance work to the development of standards and codes of good practice in its areas of responsibility, and to the strengthening of financial sectors.

The IMF also plays an important role in the fight against **money-laundering and terrorism**.

1 mark per explained relevant point (total 5 marks)

b) Syllabus Ref A2 WB2

Grants

Grants may be defined as 'Transfers made in cash, goods or services for which no repayment is required'.

An ODA type grant to a recipient does not require repayment to the donor. Clearly this has great beneficial advantages to the recipient countries.

The OECD categorises grants into two main types:

- Aid grant excluding debt reorganisation
- Subsidies to national private investors

Sometimes the terms of such international development aid may be more complicated. For example, grant-like flows are similar to grants but have more complex arrangements regarding repayments.

Grant-like flows are 'A transaction in which the donor country retains formal title to repayment but has expressed its intention in the commitment to hold the proceeds of repayment in the borrowing country for the benefit of that country'.

Loans

Loans in relation to international development aid are 'Transfers in cash or in kind for which the recipient incurs legal debt.'

There are five main types of loans in association with ODA, as classified by the OECD:

- Aid loan excluding debt reorganisation
- Investment-related loan to developing countries
- Loan in a joint venture with the recipient
- Loan to national private investor
- Loan to national private exporter

Although grants and loans are important ways that international development aid are financed they are not the only means. The next section considers some of the alternative ways that such aid may be financed.

Other forms of international finance

There are many other forms of international finance that may be used within international development aid. equity and debt relief.

Debt relief

Debt relief is defined by the OECD as 'Debt relief is any form of debt reorganisation which relieves the overall burden of debt.'

Firstly, there are three key forms that debt relief may take:

Debt cancellation: relief from the burden of repaying both the principal and interest on past loans.

Debt rescheduling: relief by which the dates on which interest

payments due are delayed or rearranged.

Official bilateral debts: debts that are re-organised in the Paris Club of official bilateral creditors.

The Paris Club is an informal group of official creditors that tries to find sustainable solutions to the payment difficulties experienced by debtor nations, such as by agreeing to reschedule debts due to them.

Members of the Paris Club include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the UK and the United States.

Equity

Equity relates to where investment is made in a recipient country without the aim of acquiring a long term interest in the project or organisation.

The OECD defines equity in relation to ODA as 'Investment in a country on the DAC List of ODA Recipients that is not made to acquire a lasting interest in an enterprise.' Such equity may be categorised in the following types:

- Acquisition of equity as part of a joint venture with the recipient
- Acquisition of equity not part of a joint venture in developing countries
- Other acquisition of equity

1 mark per point split as 5 for grants, 5 for loans and 5 for other (15 marks)

c) Syllabus A2 WB2

The CFO in organisations involved in giving international aid (this will be mostly central government, but might be large charities such as UNICEF or Oxfam) will have a role to play.

Whilst the CFO might not be the decision maker regarding where aid is to be distributed, there is a responsibility to ensure that public funds are spent wisely, that robust decision making frameworks exists, and that good value for money is achieved.

Typically, the CFO must:

- identify resource needs and how to meet them, and potential risks and contingency requirements - short, medium and long term planning should show where funds will come from and when they will be needed
- know which funds they hold have restrictions on their use
- set a budget that shows how the activities will be resourced and what the cost will be
- be aware of what income streams are available now, and what are planned or available for the future
- obtain and critique information received from recipients on compliance with any aid conditions
- lead on due diligence to ensure processes are in place to minimise risk of loss in transit of aid as a result of corruption

CFOs for organisations receiving international aid have responsibilities regarding the appropriate recording of spending so that transparency and accountability can be demonstrated to the donor bodies.

The CFO must:

- be aware of any conditions that are attached to the aid received
- establish a control framework to ensure spending is within any conditions
- establish a method of collecting data that proves compliance
- collect and report evidence of compliance to secure continued funding, or additional funding in future.
- report on VFM, with a particular focus on measurable/demonstrable outcomes to allow both improvement in performance and to justify current/future funding.

1 mark per point, 5 for donor and 5 for recipient (total 10 marks)

3

A statement at the July 2022 Public Finance Live Conference:

"Genuine collaboration between local government, the voluntary and community sector and commercial sectors is key to ensure the successful delivery of integrated care – and ensuring better outcomes in terms of health, education and employment".

- **Requirement for question 3**

a Describe the characteristics of both mutuals and social enterprises as a form of collaborative working, and briefly discuss their advantages and disadvantages.

(5 marks)

b Once a mutual or social enterprise is established and operating, what questions should those responsible for governance of the organisation ask to enable measurement of progress and identification of issues?

(5 marks)

Syllabus ref C4 Workbook 12

True collaborative working can be described as an arrangement where mutual benefits or goal congruence is achieved over and above the basic contractual agreement.

Characteristics of mutual and social enterprises

The Cabinet Office has defined mutuals as organisations that have 'left the public sector to provide public services (under contract) and in which employee control plays a significant role in its operation'.

Mutuals are characterised by a shared community purpose and collective ownership. Mutual is a term that refers to the ownership of an organisation. The phrase 'public service mutual' has become shorthand for an organisation that has left the public sector but continues to deliver public services. Strictly, a mutual is an organisation in which employees hold majority ownership. In practice, the extent to which employees control and influence how the business is managed plays an equally significant role in determining whether an organisation could be called a mutual.

Mutuals may be suitable models for delivering community-led services in areas where potential for profit is limited, or where existing arrangements had proven ineffective.

Mutuals are important for commercially minded councils because they offer a potential way around prescriptions of what local authorities may charge for, or trade for profit in. Setting up a staff-owned mutual in an area that would fall under a council's statutory service provisions is a way for them to generate a new income stream – particularly rent and business rates.

Social enterprises are businesses that have a community purpose and aims and objectives that support community-based goals. A social enterprise is a broad term for a business that exists not to make private profit – but to serve a social or environmental purpose. The difference between a social and an ordinary business is that a social enterprise reinvests any profit it makes (which are often referred to as a surplus in social enterprises) in the business or the local community. Like any business, a social enterprise needs to be set up as a legal company and be officially registered. There are various forms of company that a social enterprise might take, the most common form is the Community Interest Company (or CIC).

Advantages	Disadvantages
Freedom and opportunity to innovate outside of constraints of the public sector	Loss of control by public sector body might lead to unexpected changes in service level
Access to funding not available in the public sector	Business expertise may be lacking if staff have previously only been in the public sector
Employee ownership leads to higher levels of productivity	Unfamiliar regulations (company or charity accounts requirements)

Once the new organisation is established (be it a mutual, a CIC or other legal entity), the senior managers – including the financial managers – should consider asking the following questions to help measure progress and identify problem areas:

- Are our costs staying in line with our financial plan?
- What costs are over-running, and what can we do to haul them back?
- Where could we make savings to bring the overall budget back in line?
- Are our customers continuing to use our services?
- Are we attracting new customers?

- Are our new services covering their costs?
- Are our customers paying on time?
- Do we have enough cash to pay our staff and our suppliers on time?
- If we have borrowed money from the bank, are we delivering results in line with what we told them?
- Are our staff happy to work for us?
- Are we able to recruit good quality staff where we need them?
- Do our staff have the training and qualifications they need to do their job well?
- Are we doing the things we need to do to meet our Regulator's expectations?

a) 1 mark per well explained characteristic. ½ mark per advantage or disadvantage to a total of 5

b) 1 mark per question area to a maximum of 5

(max 10 marks)

4

Where public sector organisations are able to make investment decisions, they should establish and follow a Treasury Management Strategy that includes guidance on how to consider the risks and returns of any such decision.

- **Requirement for question 4**

Discuss how the risk appetite statement helps decision makers balance the risks and returns of investment decisions for public sector organisations.

(10 marks)

Syllabus ref B3 WB 3

Balancing risk and return in PS when investing

There is always a high level of subjectivity when assessing risk for doing something new as we are essentially looking into the future: asset prices cannot be reliably forecast, nor can business decisions be predicted with certainty.

In the treasury management context, for both borrowing and investment, it is usual to work within a system of risk constraints and attempt to obtain best value within those constraints.

For investments in particular, CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ('the Code of Practice') notes that the Parliamentary conclusion: 'in balancing risk against return, local authorities should be more concerned to avoid risks than to maximise returns' is relevant to all public service organisations and such organisations 'should ensure that priority is given to security and liquidity when investing funds'.

In other contexts, it may be necessary to obtain a certain level of return from investment balances and so the financial challenge is to achieve this with minimum risk.

However, even in these circumstances, it would be unusual, and poor governance, for there to be no overarching framework of controls to mitigate the risks.

Risk Appetite Statements

A clear statement, which is explicit about the level of risk an organisation is prepared to tolerate, is essential to begin framing a sensible treasury strategy and indeed is referred to in Key Principle 2 of the Code of Practice.

CIPFA’s Treasury Management Risk Toolkit for Local Authorities contains the following guidance for preparing such a statement, applicable to any sector:

- The risk appetite statement should be compatible with any general statement of financial risk appetite in the authority’s overall risk policy or risk register.
- Preparation of the statement should take account of the materiality of treasury risks for the authority. An authority that is more or less debt free with a low level of investments may have a different attitude to treasury risk to an authority that has a relatively high level of debt or investments proportionate to its population or income.
- The statement should flow naturally from the statement of the objectives of treasury management (and could therefore logically follow it in the authority’s treasury management policy statement).
- The authority’s risk appetite may change over time. In times of greater financial difficulty, the authority may want a lower level of risk or revenue account volatility from its treasury operations. Or it might be more inclined to take risks on something like an energy company.

Statements are likely to be subjective, but one way to sharpen the focus might be to position the authority relative to other local authorities, e.g. ‘the authority is not highly exposed to treasury risks and can therefore accept a higher risk portfolio than most other authorities’ or ‘the authority wishes to take a relatively low exposure to risk compared with most authorities’.

The statement should be consistent with the level of treasury skills and experience available to the authority. For example, if officers do not have time to manage credit ratings and credit analysis, the authority may decide to place its deposits with the government.

The statement should identify the main areas where the authority gives itself the freedom to take a position which is not the lowest risk, e.g. by investing in financial institutions or major projects not only in the government.

Any such statement will be driven by subjective influences, but good examples will enable qualitative and quantitative parameters to be considered when evaluating the risks around any investment decision.

All these elements should assist decision makers to be aware of the level of risk of their decision, and map it to the risk appetite statement for that type of activity to see if it is within the current appetite. Decisions that give rise to risks outside of the appetite of the organization should not be undertaken.

1 mark per point for risk appetite references and TM Strategy references. total of 10 marks

5

The Balanced Scorecard methodology for measuring performance was first established in the 1990's and was developed originally for use by companies to measure success. The approach has been adapted and is now used widely by public services organisations.

- **Requirement for question 5**

Briefly explain the Balanced Scorecard approach to measuring performance.

Discuss the advantages and disadvantages of its use in a **public service organisation**. Refer to examples from you experience or learning to illustrate your points.

(10 marks)

Syllabus Ref C5 WB13

The key motivation for a move to a Balanced Scorecard approach in the private sector is to go **beyond a focus solely on financial measures**. In the public sector, however, much more non-financial performance is measured as a matter of routine.

Standard methods of performance management, with suites of key performance indicators and reporting of progress against actions, do tend to look at areas such as stakeholder satisfaction, staff satisfaction, training and achievement of outcomes, but they are reported and presented in a less coherent way than that with a Balanced Scorecard.

Linkages, dependencies and relationships between performance measures are often overlooked or not considered when the information is displayed in the standard manner.

Balanced scorecards can be more effective, as they are seen as a way of **translating an organisation's** strategy and mission into measures that can be monitored to illustrate progress and success.

They originated in the US in the 1990s and were used as a way of linking non-financial measures of success with the more commonly used financial measures (sales, profits, shareholder dividends, etc.)

There are four key areas in the traditional scorecard that are often linked to a strategy map:

- Financial Measures
- Customer (External) Perspective
- Internal Perspective
- Learning & Growth Perspective

These have been adapted for the public sector, and some organisations have added further areas to reflect better the different priorities for the public sector.

Whilst developed initially for businesses, the balanced scorecard approach has been adapted for public service organisations. Clearly, the objectives and strategy of such an organisation can still be translated into a scorecard of performance measures:

- Financial Measures – These will be budgets and other financial aspects (unit costs, for example).
- Customer Perspective – This can cover a range of stakeholders, including citizens, service users, non-executive roles, regulators and Government.
- Internal Perspective (Processes) – These would be the key processes for improving effective service delivery, as well as some inward-looking strategic objectives which the organisation has set itself.
- Learning & Growth Perspective (People) – This often relates to the development of the organisation's workforce and how the organisation itself learns as it delivers services.

The advantages of a Balanced Scorecard approach are as follows:

- A clear and easy to understand reporting tool and format for senior managers and other stakeholders

- It covers multiple aspects of an organisation's performance and operation - e.g. not just financial performance - so the impacts of decisions can be monitored over these aspects
- Grouping performance measures into areas can draw out links within such areas and across different areas, given the sometimes complex and/or conflicting nature of public sector objectives
- Balanced Scorecards allow users to look at short-, medium- and longer-term issues through a single "dashboard"

To implement such an approach will need knowledge and experience of successful change management, as there will often be a significant shift in mindsets and how the organisation looks at its own performance.

As stated above, consensus on developing the objectives, measures, targets and actions will be crucial and time should be devoted to achieving this, utilising proportional avenues of communication and engagement, as appropriate.

The benefits of a Balanced Scorecard approach will need to be sold to those involved, to win 'hearts and minds' and ensure ownership and full engagement.

The disadvantages of Balanced Scorecards can be:

- Having four categories can present difficulties with determining which categories a measure should go in
- Such approaches can require a lot of resources in terms of time and cost
- Information may be incomplete, therefore not giving an accurate overall picture
- There may be a resistance within the organisation, as the approach requires a different mindset and processes from more conventional performance management
- The link between financial investment/savings etc is not always known and may not be ‘proved’ for some time, therefore difficult to use ‘scientifically’
- While balanced, Finance traditionally remains the overriding concern - ie the other dimensions are used to create better financial performance.ie profit - in the public sector the decision is more about the prioritisation of scarce financial resources which requires some adaption and lateral thinking to the original model

A BSC approach may not be suitable for every organisation for some or all of these reasons, but where resources and an open attitude to change are available, then pursuing such a change in performance management and reporting can lead to a better understanding of what an organisation wants to achieve, and how it can go about achieving it.

1 mark per point explaining the BSC approach up to 4 marks
1 mark per point for advantages and disadvantages of a BSC approach up to 4 marks. 2 marks for reference to examples.

(maximum 10 marks)

6

Public sector organisations in all countries are subject to a range of inspectors and regulators depending on the nature of services provided.

- **Requirement for question 6**

Excluding the statutory external auditors of financial statements, identify and provide a brief description of the responsibilities for five different external inspectors or regulators for public sector organisations. UK or international examples are acceptable.

(10 marks)

Syllabus reference B1 Workbook 7

The range of inspectors and regulators for the public and third sector in the UK alone is vast. The .GOV.uk website lists all the departments, agencies and government bodies in the UK that are currently active.

Within this list are a number of key inspectors and regulators. A selection of inspectors and regulators across the public sector are listed below with a brief description of their responsibilities. The full list is available at: www.gov.uk/government/organisations

The **Charities Commission** registers and regulates charities in England and Wales, to ensure that the public can support charities with confidence.

Within England and Wales, they are responsible for:

- registering eligible organisations in England and Wales which are established for only charitable purposes
- taking enforcement action when there is malpractice or misconduct
- ensuring charities meet their legal requirements, including providing information on their activities each year
- making appropriate information about each registered charity widely available

- providing online services and guidance to help charities run as effectively as possible

The Office of Qualifications and Examinations Regulation (**Ofqual**) regulates qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland.

Ofsted is the Office for Standards in Education, Children's Services and Skills. They inspect and regulate services that care for children and young people, and services providing education and skills for learners of all ages.

HM Inspectorate of Constabulary (**HMIC**) independently assesses police forces and policing, asking the questions that citizens would ask and publishing information to allow the public to compare the performance of their force against others.

The Independent Police Complaints Commission (**IPCC**) exists to increase public confidence in the police complaints system in England and Wales. It also investigates serious complaints and allegations of misconduct against the police and handles appeals.

Her Majesty's Inspectorate of Prisons for England and Wales (HMI Prisons) is an independent inspectorate, which reports on conditions for and treatment of those in prison, young offender institutions and immigration detention facilities.

HM Inspectorate of Probation reports to the government on the effectiveness of work with adults, children and young people who have offended with an aim to reduce reoffending and protect the public.

The Health and Safety Executive (**HSE**) is the national independent watchdog for work-related health, safety and illness. It acts in the public interest to reduce work-related death and serious injury across Great Britain's workplaces.

The Independent Case Examiner reviews complaints about certain government organisations that deal with benefits, work and financial support.

The Independent Chief Inspector of Borders and Immigration provides independent scrutiny of the work of the UK Border Agency and the Border Force. The Inspector is completely independent of these organisations, and reports directly to the Home Secretary.

As the sector regulator for health services in England, **NHS Improvement's** job is to make the health sector work better for patients.

- independent NHS foundation trusts are well-led so that they can provide quality care on a sustainable basis
- essential services are maintained if a provider gets into serious difficulties
- the NHS payment system promotes quality and efficiency
- procurement, choice and competition operate in the best interests of patients

Within England, **NHS Improvement** makes sure that:

The Care Quality Commission (**CQC**) regulates all health and social care services in England. The commission ensures the quality and safety of care in hospitals, dentists, ambulances, care homes, and the care given in people's own homes.

The Parliamentary and Health Service Ombudsman investigates complaints about government departments and the NHS in England. They do this independently and impartially, without taking sides.

The Pensions Regulator (**TPR**) is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

The Pensions Ombudsman (**PO**) impartially investigates complaints from members of pension schemes (including personal pensions) or their beneficiaries, employers or trustees.

Local Government Ombudsman

Other examples can be used from different countries.

2 marks per example identified and explained, can be others than these listed 10 marks total

(max 10 marks)