



## The New Governance Framework: Scotland's Public Sector Challenge

### Welcome by chair

Don Peebles, Head of CIPFA Scotland

**#cipfagov14**

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## Some Domestic Info.....

		
Fire alarms	Mobile phones	CPD
		
Facilities	Feedback	Refreshments & timings

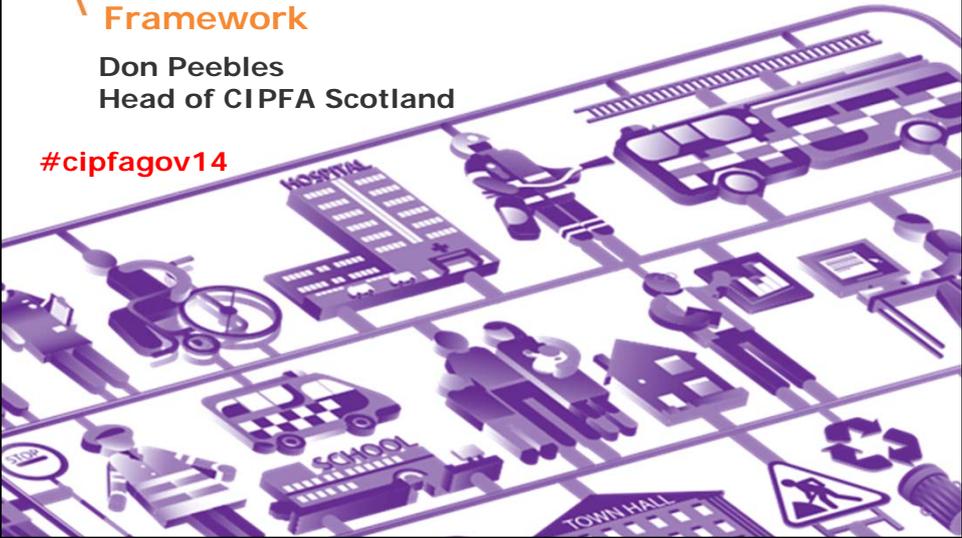
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## Good Governance in the Public Sector: The New International Framework

**Don Peebles**  
Head of CIPFA Scotland

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## Corporate Governance in 2004 - The Good Governance Standard for Public Services

[http://www.cipfa.org.uk/pt/download/governance\\_standard.pdf](http://www.cipfa.org.uk/pt/download/governance_standard.pdf)

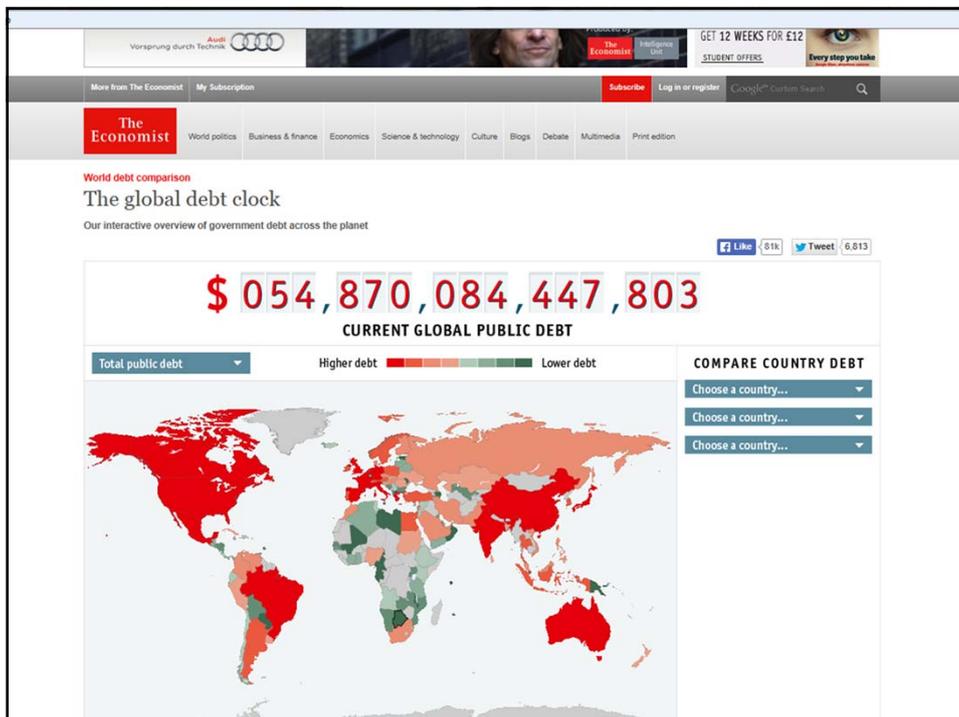
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## The World in 2004.....

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[http://www.economist.com/content/global\\_debt\\_clock?page=50](http://www.economist.com/content/global_debt_clock?page=50)



Good Governance in the Public Sector

## International Framework: Aims

- Establish a 'new' benchmark for good governance to '..encourage better service delivery and improved accountability..'
- Serve as a reference point for those developing or reviewing national and sectoral codes
- Help public sector organisations continue to improve governance systems
- Where no code/guidance exists, provide:
  - A shared understanding of what constitutes good governance
  - A powerful stimulus for positive action

Good Governance in the Public Sector

## A Definition of Governance

**“The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”**

- Arrangements include:
  - Political
  - Economic
  - Social/environmental
  - Administrative
  - Legal

Good Governance in the Public Sector

## Good Governance in the Public Sector

**“The fundamental function of *good* governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.”**

Good governance now directly linked to:

- Acting in the public interest at all times – “the net benefits...for all society in relation to any action, decision, policy”
- Achieving intended outcomes

Good Governance in the Public Sector

## International Framework: Structure

### Framework:

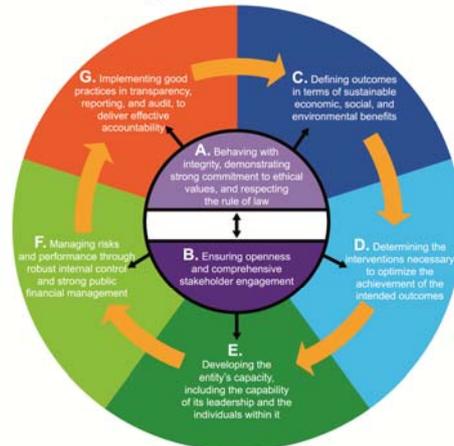
- Foreword by Mervyn King (Chair, IIRC, and King Report, South Africa)
- Definitions
- Principles-based to maximize relevance, applicability
- Sub-principles and supporting guidance to provide explanation

### Supplement:

- Examples
  - Provide practical experience and aid understanding
- Evaluation questions to consider

## International Framework: Good Governance in the Public Sector

Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times



Good Governance in the Public Sector

## International Framework Principles

Acting in the public interest requires:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- B. Ensuring openness and comprehensive stakeholder engagement**

Good Governance in the Public Sector

## International Framework: Principles

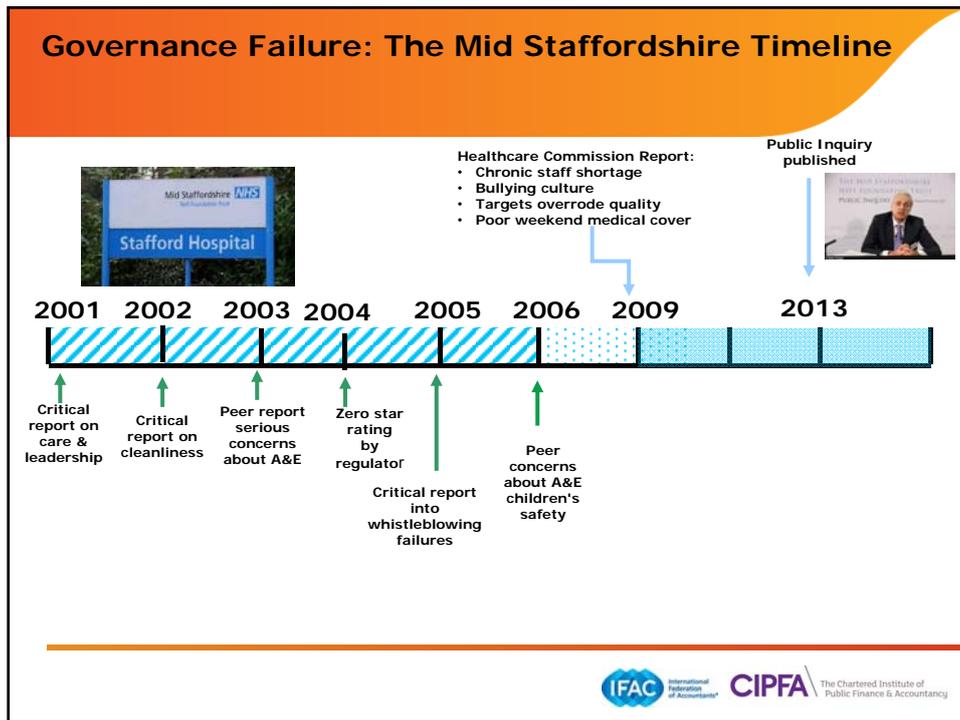
Achieving good governance in the public sector requires:

- C. Defining outcomes** in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes**
- E. Developing an the entity's capacity, including the capability of its leadership and the individuals within it**
- F. Managing risks and performance through robust internal control and strong public financial management**
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability**

Good Governance in the Public Sector

## A Summary of The Key Differences

- Governance – an international definition
- A whole systems based approach
- Acting in the Public Interest (now defined) – at the heart of good governance
- A greater focus on - outcomes and their achievement, risk & performance
- Provision of practical implementation advice – implementation tips, examples, evaluation questions
- 7 principles – 1 more than the 2004 standard



### Good Governance in the Public Sector

## Diagnosis - Governance Failure

*Principle C: Defining the outcomes in terms of sustainable economic, social, and environmental benefits*

- Trust pursued the wrong priorities & prioritised finances & Foundation Trust application over care quality
- Regulator focused on corporate governance & financial control without properly considering issues of patient safety and poor care

*Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes*

- Board permitted mismatch between resources allocated and the needs of the services to be delivered
- No detailed scrutiny on impact of the trust's financial plan and associated staff cuts on patient care










- Dissemination via CIPFA, IFAC, and IFAC member bodies
- Implementation support and discussion on the IFAC Global Knowledge Gateway [www.ifac.org/Gateway](http://www.ifac.org/Gateway)
- Local government in 2015 - Revision of CIPFA publication e.g. 'Delivering Good Governance in Local Government'
- Access at [www.cipfa.org](http://www.cipfa.org)
- CIPFA Governance Mark of Excellence based on the new framework

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2012



- **Inconsistent practice**
- **Good & poor practice**
- **Poor control & support at inception**
- **Lack of independent assurance**
- **Inconsistent reporting**
- **Lack of focus on benefits**

2012

## Ingredients for project success



Leadership/  
Sponsorship

Programme & Project  
Management

Change  
Management

Projects  
meet objectives

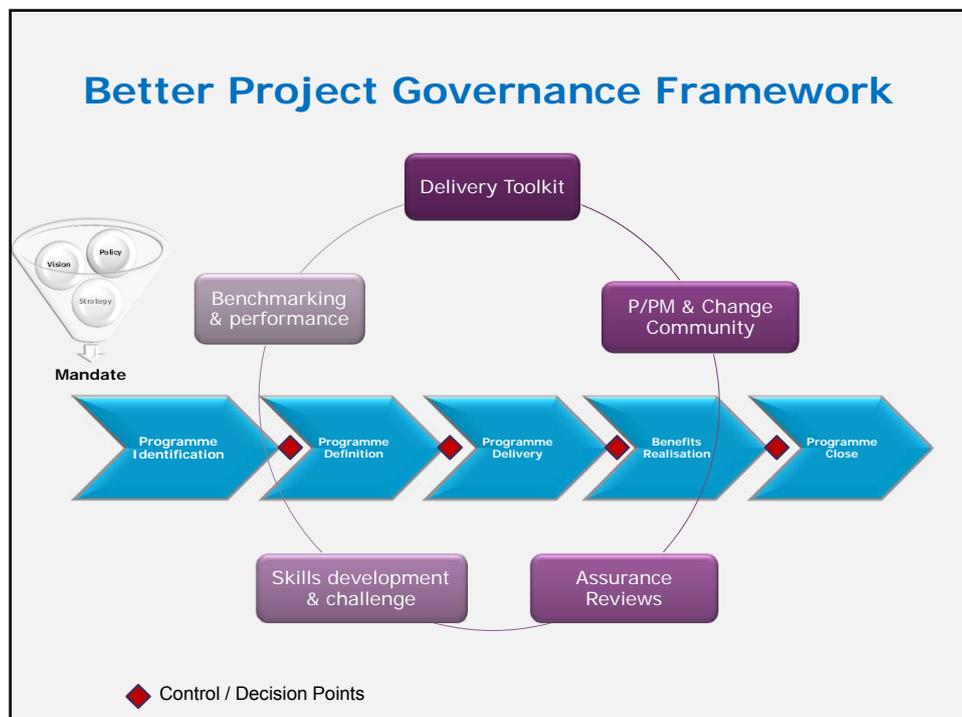
Projects finish  
on time and on budget

Return on investment  
(ROI) realized



## What the Council needed:

- Strategic Alignment
- Structured and coordinated
- Effective Governance
- Accountability
- Tracking progress
- Maximise benefits
- Skills and capacity



## Corporate Programmes Office Remit

### Governance

- Transparency
- Compliance
- Control & Risk
- Strategic Alignment
- Assurance

### Centre of Expertise

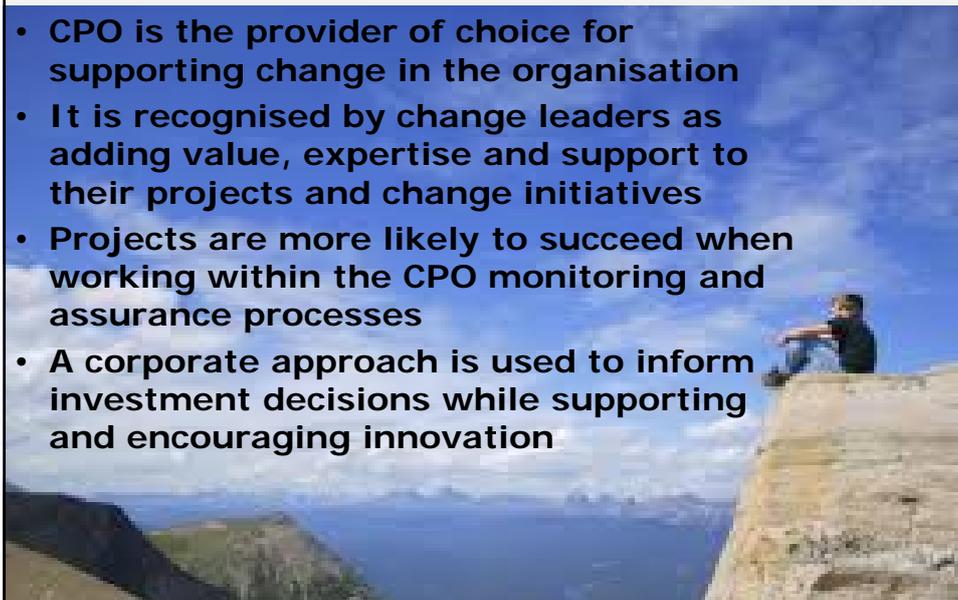
- Consultancy
- Good practice guidance & support
- Skills development
- Lessons learned & good practice
- Workshops



>£5m or high risk

## CPO Vision

- CPO is the provider of choice for supporting change in the organisation
- It is recognised by change leaders as adding value, expertise and support to their projects and change initiatives
- Projects are more likely to succeed when working within the CPO monitoring and assurance processes
- A corporate approach is used to inform investment decisions while supporting and encouraging innovation



## Major Projects Portfolio

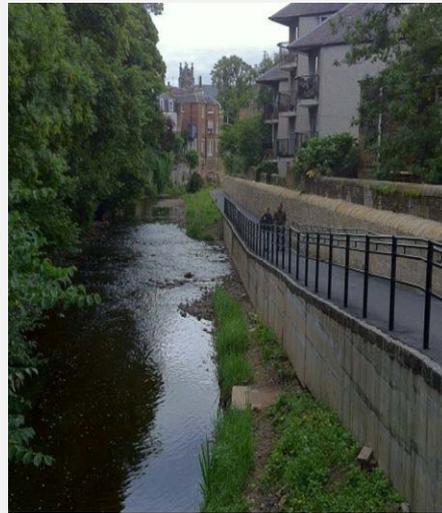


## Major Projects Portfolio

- Open working relationships with project leads
- Critical friend
- Common governance
- Common reporting standards
- Elected member scrutiny
- Adding value



## Adding Value



## Centre of Expertise/Consultancy

*To facilitate sharing of knowledge, best practice and lessons learned among people working on projects, programmes and change across the Council.*



## Centre of Expertise/Consultancy

- **Consultancy & Project support**
- **Project, Programme & Change Management Community (PPCM)**
- **Mentoring Support**
- **Tools, templates & guidance**



## Assurance Reviews



## Assurance Reviews



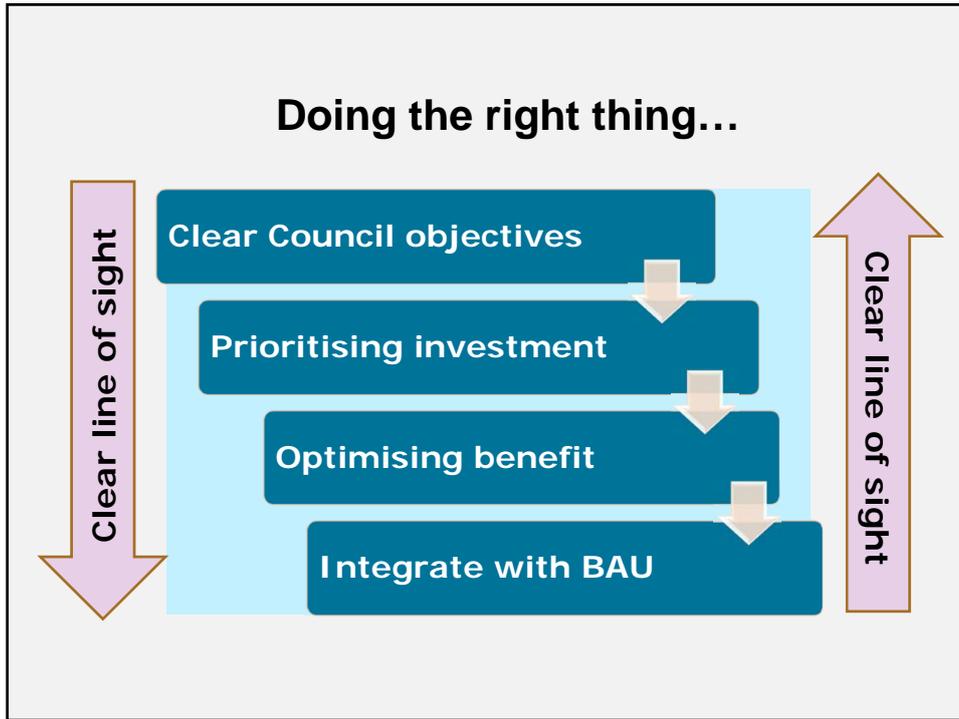
## Assurance Reviews

- Provides assurance *not* insurance
- At key decision points
- Report detailing RAG assessment
- Recommendations for improvement
- Highlight good practice
- Actions for CPO
- Chargeable – must add value

**2014**

Tracking progress through highlight reporting	Green
Strengthen accountability	Green
Assurance	Green
Structured and co-ordinated approach to change	Amber/Green
Effective governance	Amber
Develop skills & capacity	Amber
Align investment with Council priorities	Amber/Red
Optimise benefits and create opportunity	Amber/Red







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**Refreshment**

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**CIPFA's Governance Mark of Excellence**



The logo features a large purple letter 'G' with a checkmark inside it. The word 'CIPFA' is written in a smaller font above the top curve of the 'G', and the word 'GOVERNANCE' is written below the bottom curve of the 'G'.

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CIPFA's Quest

Can we find the governance 'holy grail'?



The logo features a large purple letter 'G' with a checkmark inside it. The word 'CIPFA' is written in a smaller font above the top curve of the 'G', and the word 'GOVERNANCE' is written below the bottom curve of the 'G'.

## Aim of this session

To become familiar with CIPFA's Mark of Excellence as a **development tool** to improve governance in public bodies



## Presentation structure

- Excellent governance and assessment
- Governance- having the basics in place
- Governance – what really matters
- Benefits & pitfalls
- Discussion – Q&A



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## Can governance be sensibly assessed?

- Some basic principles:
  - Depth of assessment
  - Breadth of assessment
  - Objectivity of assessment
- Best to be proactive rather than reactive



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## CIPFA's Governance Mark of Excellence

**Pre-assessment check** – self assessment to get on the starting grid

**In-depth assessment:**

- Desk research
- Questionnaires
- Interviews
- Analysis, including professional judgement
- Automated scoring of findings
- Conclusions and reporting
- Regular review



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## Governance – what really matters

- Acting in the public interest & stakeholder engagement
- Culture, behaviour and values
- Leadership and people



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## What is the incentive –why bother?

- Lighter touch regulation/inspection
- 'Earned autonomy' and more strategic freedom
- External recognition
- Demonstration of strong leadership
- Credibility with stakeholders
- Setting a standard for others



### .....but, beware potential pitfalls

- Dynamic and fast-changing environment
- Risky, not immune from weakness
- Resource intensive?
- Adding to bureaucracy...yet another return!



### In summary

- Demonstrating good governance is increasingly important
- Good governance can be identified
- Public bodies are increasingly becoming more proactive than reactive
- Accreditation of good governance can move public bodies to a new level of assurance



## CIPFA

### Defining Outcomes – The Governance Challenge

Colin Mair, CEO, Improvement Service



### What Do We Mean By Outcomes?

- Peoples “living conditions and circumstances”
- Peoples “opportunities in life”
- Peoples “quality of life”
- Peoples “social, economic and psychological health and wellbeing”



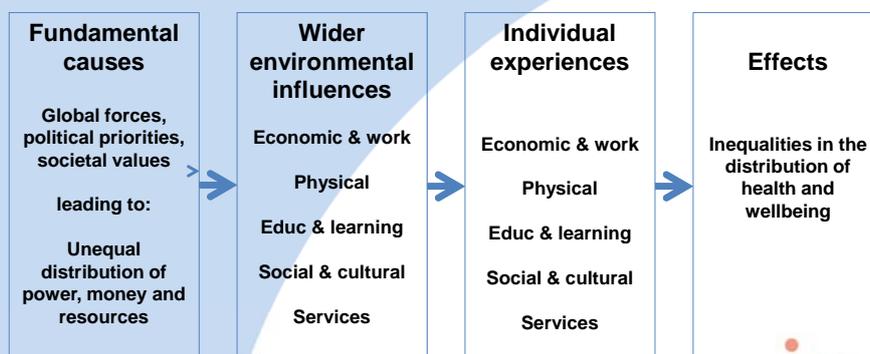
## The Ambition

- “Public services must improve outcomes, and reduce the outcome gaps within populations and between areas”
- “Total resources will be targeted to deliver priorities”
- “Promoting prevention and early intervention”
- “Delivering demonstrable improvements in peoples lives”
- “Working with communities, not doing things to them”



## What Causes Health Inequalities?

Upstream ← → Downstream



————— Inequalities ————— Health Inequalities

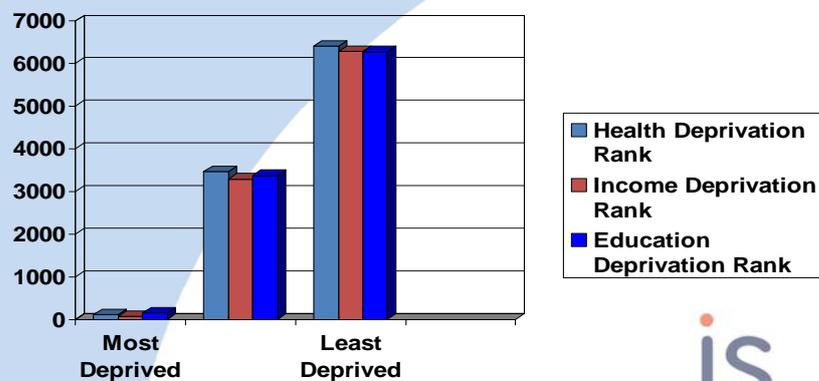


## Range for Neighbourhood Scores (2012/13)

- Income deprivation: 3% - 53%
- Crimes per 10,000: 51 – 3,180
- S4 tariff score: 79 – 288
- Positive destinations 33% -- 99%
- Emergency Admissions per 100,000: 5,812 – 23,794
- Emergency Admissions 65+ per 100,000: 8,502 – 55,769



## Deprivation Ranks: 2012/13



## Outcomes interact locally.....

	Neighbourhoods	
	10% Most Deprived	10% Least Deprived
Percentage of total population who are income deprived : 2011/12	49.7	1.6
Percentage of working age population who are employment deprived : 2012/13	39.7	2.3
Emergency Hospital Admission Rate per 100,000	25131	4282
S4: Average tariff score - all pupils : 2012/2013	91	277
% Positive Destinations: 2012/2013	32.51	100
No. SIMD crimes per 10,000 : 2011/2012	1588	67.5

\* Certain values were calculated in-house.

Monday, 15 December 2014

## Key Points

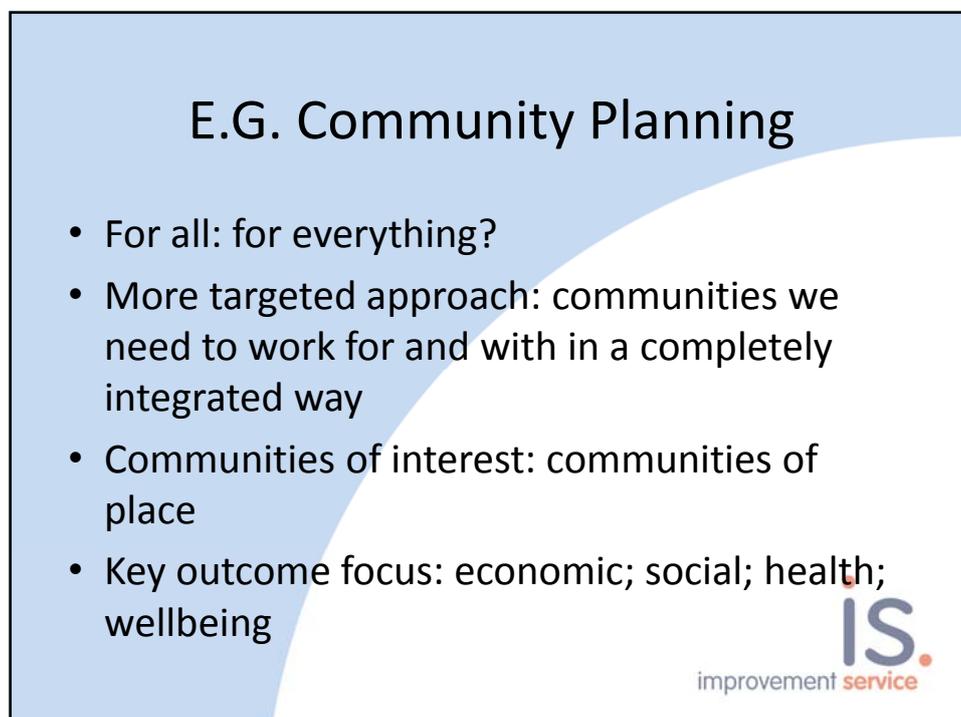
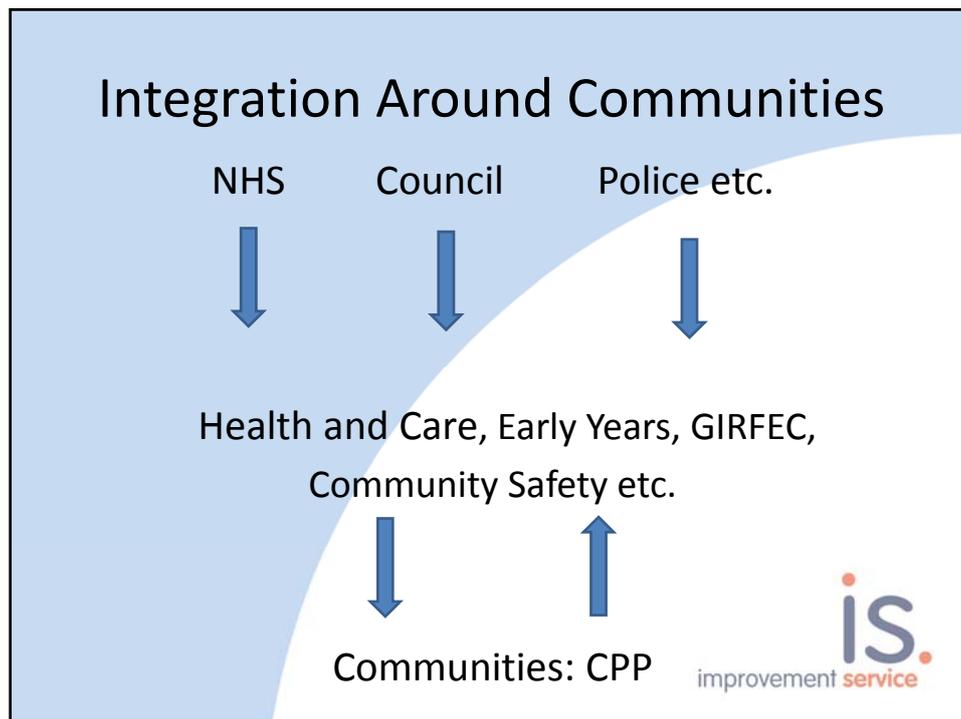
- Income deprivation linked to unemployment explains majority of variance: between areas and over time
- Other factors or order of factors make little difference
- Communal not individual factor: e.g. Emergency admissions 65+
- Applies to all outcomes

## An Integrated Model of Improving Outcomes



## The Governance Challenge

- Who defines outcomes?
- For whom?
- Attribution or contribution?
- Decision, control and accountability?
- Empowerment, scrutiny and accountability?



## Governing Capacity

- Public services as major economic enterprises in Scotland
- Footprint: employment, procurement and asset management (EOP2)
- Headquarters and major office location
- Workforce planning and shared services
- Budget management and outcomes: priorities and impacts (e.g. catering and cleaning)



## Key Steps

- Clarity about roles, relationships and empowerment
- Clarity about very small number of overarching outcomes and derived objectives
- Clarity about very small number of indicators and targets: “demonstrably improving lives”
- Clarity about retention and handover of control and accountability
- Supportive audit and inspection framework





**Lunch**



**Leadership**

Philip E Atkinson  
Director of Business Transformation & Change

11 December 2014



## **Leadership**

**Beliefs**

**Values**

**Attitude**

**Leadership**

**Behaviours**



## **Principles**

- **Selflessness**
- **Integrity**
- **Objectivity**
- **Accountability**
- **Openness**
- **Honesty**
- **Leadership**



## **“Without leadership there is no Change”**

- **Critical leadership issues**
  - **Critical incidents**
  - **Pay attention**
- **Boss watchers**
- **Transformational Culture change**
- **Take a good look in the mirror**



## **Behaviours and Culture**

- **Challenge**
- **Inspire**
- **Support**
- **Model**
- **Recognition & Praise**



## Capacity Building

- Transformational – tone at the top
- Change the Culture – Top Team Behaviours
- Learning Process
- Balanced Risk
- Start sooner



## Leadership Pack

Email [philip.atkinson@scott-moncrieff.com](mailto:philip.atkinson@scott-moncrieff.com)

**Philip Atkinson**  
**Director of Business Transformation & Change**  
**Scott Moncrieff**





## Measuring what matters

Martin Walker - Assistant Director



The New Governance Framework: Scotland's Public Sector Challenge: 11 December 2014

Proposed areas for discussion

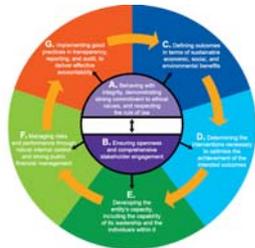


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- Context
- What matters?
- Performance measurement – an auditors perspective
- Making performance measurement work – common issues and practical considerations

New Governance Framework – Scotland's Public Sector Challenge – Measuring what matters | 14 December 2014 | 74

Context



<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p>	<p>The governing bodies of public sector entities need to ensure that the entities they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.</p> <p>A strong system of financial management is essential for the implementation of public sector policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</p>
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>

- Shifting focus/ trends
- Core objectives/ characteristics remain constant  
..... as do the challenges

What matters?



- It depends.....
  - who you are
  - what you are trying to achieve
- Different.....
  - types of measures
  - audiences
  - objectives
- Common .....
  - characteristics
  - purpose
  - .....and in many instances common measures

## An auditors perspective



- Audit work is evidence based – performance measures and benchmarking provides a source
- Used in all areas of audit work
  - Annual audit
  - National performance audits
  - Community Planning Partnership audits
  - Best value audits
  - Risk assessment
  - Statutory performance measures
- We recognise that performance management isn't easy

## An auditors perspective



### The characteristics of a council with effective performance management and improvement

An effective council will:

- have a developed culture where leaders demonstrate good management of performance and communicate regularly on performance and improvement issues
- have a corporate framework for performance management and continuous improvement
- be clear on its priorities and have plans that meet the 'golden thread' test
- use a wide range of measures to effectively manage performance
- use benchmarking to compare and monitor improvement against other councils
- encourage scrutiny and challenge from councillors
- use overview and scrutiny panels to challenge performance
- actively respond to areas requiring improvement
- use self-evaluation and reviews to demonstrate continuous improvement
- use internal audit service to assure performance management systems and measures
- work constructively with partners to manage performance and improvement.

An effective council will ensure that:

- all staff understand their role in managing performance and use it in their day-to-day work
- councillors understand their role in all aspects of performance management and improvement
- councillors are provided with clearly presented and quality information to enable them to make decisions
- both internal and public reports are of good quality and are tailored appropriately for their use
- the principles of performance management apply equally to working with partners.



## An auditors perspective



- Most importantly we are looking for what the measures tell us about :
  - Response/ activity – has an organisation acted on what the measures are telling them?
  - Impact – what difference has the response had on service performance and outcomes?
  - PM arrangements as an agent of change

## PI pitfalls



- Looking for the perfect measure
- Forgetting what the 'I' stands for
- Focussing on what they don't show rather than what they do
- Measuring the measurable
- Activity reporting
- When data overload hides/ complicates the issue
- PIs to provide the questions as much as the answers

## PM pitfalls



- Performance measurement/ monitoring v performance management
- Comparisons/ benchmarking
  - Not doing it
  - Selective/ partial (time, targets, with others)
  - Wasted resource having the 'apples and oranges' debate

## A scenario



- people consider what data is available that could be compared
- agonise over who to benchmark with – in a quest for benchmarking partners who are “like them”
- spend a great deal of time and effort collecting the data
- collate data in many spread-sheets with benchmarking partners
- identify discrepancies
- have the “apples with oranges” discussion and agree to go away to revise the data in line with agreed standards
- return to find there are still differences
- report back to their own organisation (though not always), noting the differences but stressing that “they’re not the same as us, so it’s not comparing like with like”
- find the whole exercise time consuming and without major benefits and remain cautious about future exercises

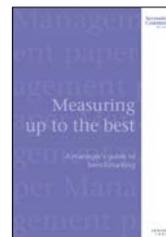
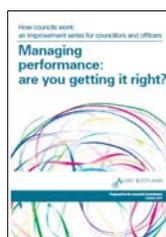
## When PM works



- The value of the PI blend
  - Quantitative/ qualitative
  - Inputs, process, outputs, outcomes
- Collect once and use many times
- Exception reporting & 'drilling down'
- Evidence of scrutiny, decision making, action and impact



## Some points of reference



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## Questions & Discussion

Contact details:

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Assistant Director– Audit Scotland

Phone: 0131 625 1813  
E-mail: [mwalker@audit-scotland.gov.uk](mailto:mwalker@audit-scotland.gov.uk)

**Refreshment Break**

## **The Role of Ethics and Integrity in Scotland's Public services**

**Professor Russel Griggs OBE**

## **The Role of Ethics and Integrity in Scotland's Public services**

- encourage and enforce adherence to ethical values
- to respect the rule of law
- the mechanisms necessary to make this a reality

## Good Governance in the Public Sector

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Delivering outcomes in terms of sustainable economic, social, and environmental benefits.
- Managing risks and performance through robust internal control and strong public financial management.
- Delivering good practices in transparency, reporting, and audit, to deliver effective accountability.

## Standards in Public Life

- Selflessness – decisions only in the public interest
- Integrity – no outside influence of any kind
- Objectivity – choices on merit only
- Accountability and Stewardship – submit to scrutiny
- Openness – should not restrict information and reasons
- Honesty – declare private interests
- Leadership – promote the principles of good leadership

## **Common Threads**

- **Independent scrutiny**
- **Guidance and education**
- **Induction**

## **The Role of Ethics and Integrity in Scotland's Public services**

- encourage and enforce adherence to ethical values
- to respect the rule of law
- the mechanisms necessary to make this a reality

### Can all this work in reality

- Each job or task carries its own responsibilities and outcomes
- Some are part of bodies where you are there to help run the business
- Some are where you are there to help provide assurance to the Accounting or other senior officer
- Some are where you are there to add challenge and a different or radical viewpoint
- Many Boards and Committees work to different rules
- A lot depends on the Chair or what the Accounting Officer or organisation wants

### The Role of Ethics and Integrity in Scotland's Public services

- encourage and enforce adherence to ethical values – all will do but maybe not the same way and may have their own values and thoughts as well
- to respect the rule of law – all will do that
- the mechanisms necessary to make this a reality – many and varied which is the issue and more than one may be right

Therefore do we force and enforce a common way of doing things or do we just make sure we all sit under the same umbrella although the umbrellas may be of different colours and sizes!!

## The Role of Ethics and Integrity in Scotland's Public services

**Professor Russel Griggs OBE**

## The Role of the Modern Board Member

**Stephen Reid**

11th December 2014

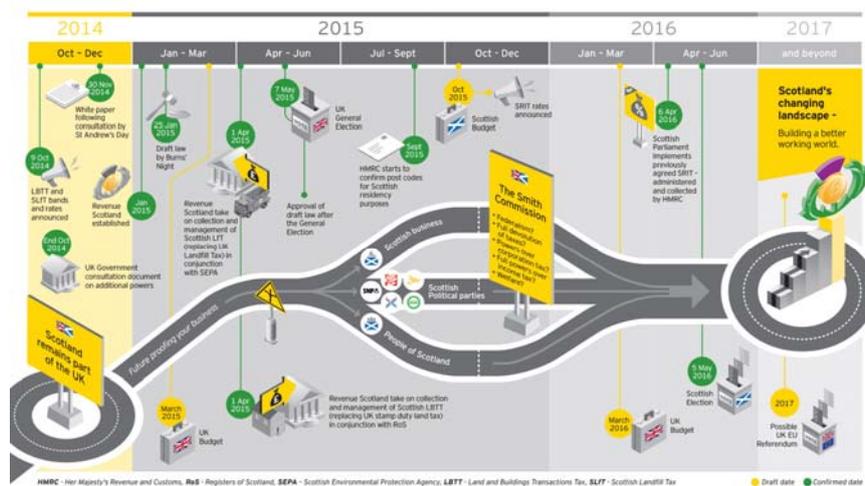


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## The Role of the Modern Board Member

- ▶ acting in the public interest at all times
- ▶ maintain public trust and confidence
- ▶ being as open as possible about all decisions, actions, plans, resource use, forecasts, outputs, and outcomes

## Scottish Roadmap - context



## Acting in the public interest – the skills required of the modern board member

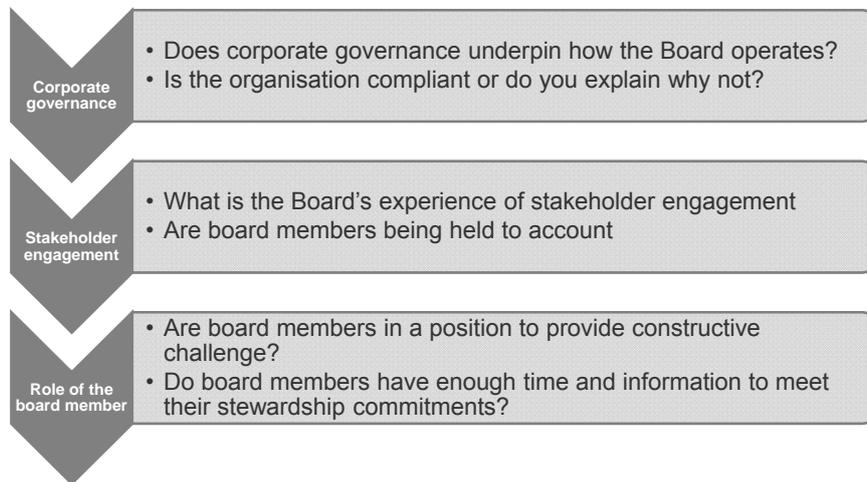
In addition to board specific skills, knowledge and experience, all board members should have the following:

- ▶ Understanding of the public sector environment
- ▶ Integrity and ethical behaviour
- ▶ Ability to think strategically
- ▶ Sound judgement
- ▶ Commitment
- ▶ Communication skills
- ▶ Team intelligence

## Acting in the public interest – ensuring good governance principles

1. Roles and responsibilities are clear and understood
2. The board structure and composition ensures relevant expertise and diversity
3. The board has a strategic focus
4. Relevant risks are identified and managed
5. Control systems have integrity and support accountability
6. A culture of responsible and ethical decision making is promoted
7. The board is operating effectively

## Maintaining public trust and confidence - openness and stakeholder engagement



## Maintaining public trust and confidence - promoting openness and transparency

- ▶ Act honestly and exercise powers for their proper purpose
- ▶ Manage conflicts of interest
- ▶ Act in good faith
- ▶ Exercise diligence, care and skill

## Openness on decision-making, actions, plans, use of resources and outcomes

### Principle G: transparency of reporting, effective accountability, audit

Fair, balanced and understandable

- ▶ Is the organisation portrayed in the annual report and accounts the same organisation we discuss at the Board or its sub-committees?
- ▶ Could a member of the public with limited knowledge of our organisation understand our activities through reading the annual report and accounts?

**Chair's close**