

The changing public sector agenda – what it means

CATS

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What we are going to cover

- The policy strands up to 2015 and beyond
 - The *Open Public Services* White Paper
 - *Big Society*
 - Big Business
- What it means to internal auditors and for risks

Introducing myself

- Trained as a chartered accountant in the private sector
- Worked as an internal auditor with the public sector – housing, education, local and central government
- Specialised in governance, audit and risk
- Interim FD and consultant working with colleges, academies and charities

Before all that: The Big Freeze

the cuts to total public spending over the four years starting next April are, after economy-wide inflation, set to be the deepest since World War II

Institute of Fiscal Studies



The Big Freeze: a varying chill

Falling unevenly:

- Average real cut of 11% by 2014/5
- Worst hit
 - CLG local government 27%
 - Business, Innovation and Skills 29%
 - Defra 31%
 - CLG Communities 68%

The Big Freeze: many a slip?

Areas of uncertainty:

- Politics can be tricky
 - Letting convicts out early
 - Leasing some forests
 - Taking away child benefit
- Economics can be even more treacherous
 - UK growth forecast being downgraded
 - Threat of a double-dip in the US and Eurozone
 - European debt crisis with threat of another credit crunch

What then?

The *Open Services* White Paper

Open Public Services White Paper

 HM Government

Summer 2011 road map for public service reform – published after a long gestation

Setting out a cross-government framework with key themes

Open Public Services principles

- ***Choice*** – *Wherever possible we will increase choice.*
- ***Decentralisation*** – *Power should be decentralised to the lowest appropriate level.*
- ***Diversity*** – *Public services should be open to a range of providers.*
- ***Fairness*** – *We will ensure fair access to public services.*
- ***Accountability*** – *Public services should be accountable to users and taxpayers.*

Open Public Services framework

- **Individual services – personal services that are used by people on an individual basis**

power in the hands of the people who use them

Big

- **Neighbourhood services – services provided very locally and on a collective, rather than an individual, basis**

power in the hands of elected councils, at the neighbourhood level if that is what communities choose

Society

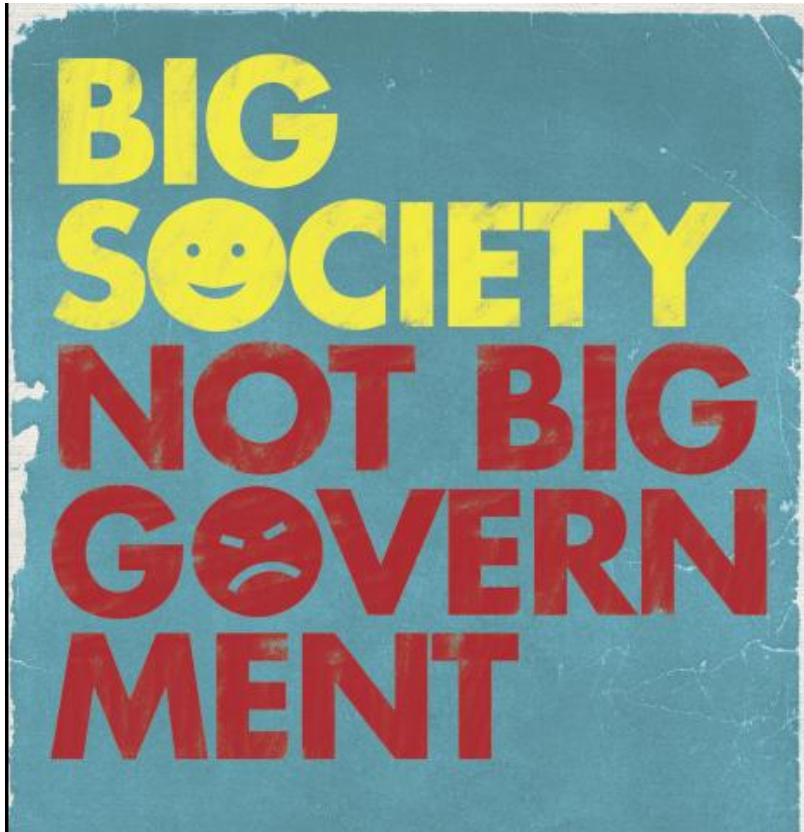
Big

- **Commissioned services – local and national services that cannot be devolved to individuals or communities**

open up and, where appropriate, decentralise commissioning

Business

The Big Society: the big idea



Building a big society is at the heart of the Conservative Party's vision for change. The Big Society is a society with much higher levels of personal, professional, civic and corporate responsibility; a society where people come together to solve problems and improve life for themselves and their communities; a society where the leading force for progress is social responsibility, not state control.

The Big Society: where it came from

- Part of Conservative thinking for centuries
 - Edmund Burke’s “small platoons” of civil society
- Integral to David Cameron’s leadership
 - Personal commitment
 - Political project to make Conservatives less “nasty” (in the words of Teresa May)
- Convenient in the age of austerity
 - Perhaps social policy on the cheap?

The Big Society: smaller ideas

- strengthen and support social enterprises to help deliver our public service reforms
 - Big Society Bank
- stimulate the creation and development of neighbourhood groups in every area
 - 5000 community organisers; neighbourhood grants
- encourage mass engagement
 - “civic service”; Big Society Day

The Big Society and localism

What is localism?

In the past CLG has given away money; in the future it will give away power

*Devolving the axe
Guardian headline*

Greg Clark
Minister for Decentralisation

Some real changes in pipeline:

HRA reform, TIF, retention of business rates

But don't get too excited:

culture; "constitution"; Council Tax

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The Big Society and armchair auditors

Eric Pickles' army of armchair auditors:

Greater openness in spending is the best way to root out waste, spot duplication and increase value for money

More than enthusiastic amateurs?

Tools and websites e.g. simplylocal

Mrs Angry of *Broken Barnet* broke major story using data

The Big Society: it could be you?

Couldn't internal auditors become social entrepreneurs?

Examples of

- NHS internal audit consortia since 1990s – including CIC plans
- Some newer internal audit shared services
- Mutualisation plans for the Audit Commission

A more agreeable future than alternatives?

Opportunities with organisations outside?

The Big Society: here to stay?

Some consensus on ideas?

Conservative's Big Society – promoted by “Red Tories”

v

Labour's Good Society – advocated by “Blue Labour”

Some convergence in practice?

e.g. Labour's Co-operative Councils:

John Lewis approach; micro-coops

The Big Society: risks

- Reform may be too fast and too unpredictable for public sector risk registers
- Community groups may be
 - Open to capture
 - Weak in terms of governance
 - Lacking robust internal control e.g. finance, health & safety, safeguarding
- Third sector turbulence:
 - Suffering funding losses
 - Lacking reserves
 - Reconfiguring their own services to refocus

Big Business: what?

- For-profits
 - Well known businesses: Serco, Capita, Tribal
 - New entrants: BPP University College
- Not-for-profits
 - Some charities and companies limited by guarantee do increasingly resemble businesses e.g. E-ACT aspires to run a chain of 250 schools

Maybe transfers e.g.

largest housing associations → plcs?

universities and private equity

Big Business: why?

- Its already here: in 2007 the Public Service Industries review found that PSI accounted for:
 - nearly 6 per cent of UK GDP; and
 - direct employment of over 1.2 million people
- In the future the Coalition (or at least part of it) wants to see more diversity of supply including for-profits
 - Where not so sensitive: e.g. higher education
 - Where it was done by Labour: e.g.NHS
 - Where it is key to plans: e.g. the Work Programme

Big Business: why?

By accident: aspirations for a Big Society might become a reality of Big Business

The case study of free schools

The dream of parents putting things right

The reality

- Projects having to link up with established (and often commercial) players to navigate bureaucracy
- Schools linking up with “chains” and (maybe) out-sourcing management to for-profits
- Maybe after 2015, more radical departures?

Big Business: risks

- Potential for tainting – reputational risk
- Private sector failure may be more difficult to
 - Resolve – no public sector match-making
 - Foresee - e.g. financial engineering at Southern Cross

The Big Society and Big Business: the role of internal audit?

Some thoughts?

- Performing due diligence on new providers
- Monitoring of providers
- Assuring on contracting, information and monitoring
- Supporting scrutiny

More about risk – less about procedures and process

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