

CENTRAL GOVERNMENT PANEL NEWSLETTER

ISSUE NUMBER NINE

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INTRODUCTION

Welcome to the ninth newsletter for finance practitioners and CIPFA members working in central government. This newsletter has been prepared by CIPFA's Central Government Panel. This issue contains information about CIPFA's annual conference, Guidance for Board Members of NDPBs in England, and CIPFA's evidence to the House of Commons Treasury Committee inquiry into the regulation of UK public limited companies post-Enron collapse. There is also an article on e-Government, based on a recent talk by e-envoy Andrew Pinder and an article on benchmarking as a management tool in the public sector. Finally, there is some information about the Central Government Panel and about the Public Management and Policy Association (PMPA) and at the end, there are some useful weblinks.

CIPFA CONFERENCE: BRIGHTON 12
– 13 JUNE 2002

This year's annual conference theme is "The Delivery Agenda: Investing in the future" and many of the events and workshops are on key subjects for finance practitioners in Central Government. Explaining the conference theme, CIPFA's President Chris Hurford said "Delivering better public services is everyone's goal: but the agenda is challenging and elusive and isn't about quick wins. Improvement is an ongoing process that demands continuous investment in time, resources and ideas. It's about learning from winners and recognising that all public service bodies – large and small – have much to learn from one another. Partnerships are within the public services as well as across other sectors. This conference programme provides a platform for developing new ideas and turning concepts into reality based upon pragmatic solutions. It's about

investing in better ways to deliver – again and again"

To open the conference the summit speaker will be Derek Wanless, author of the "Wanless Report" from the Health Trends Team at the Treasury. Professor Anthony Giddens of the London School of Economics and Will Hutton, Chief Executive of the Industrial Society are the summit speakers on Public Services: a vision for the future. Other key summit speakers will be Clare Short MP, Secretary of State for International Development, Nick Raynsford MP, Minister for Local Government and the Regions, and Ed Balls, Chief Economic Adviser to the Treasury.

Workshops likely to be of particular interest to those in Central Government will include:

Risk Management Techniques

A mixture of presentation and general discussion, this workshop will be given by Liz Taylor, Head of Marsh Public Risk Services and former Chief Executive of ALARM who will specifically explore Public Service Agreements and ways of progressing towards delivering excellence in service, providing useful maps, tools and techniques in the decision-making process and the change management process that needs to ensue.

Performance measurement vs performance management

Performance measurement has all too often been seen as the retrospective recording of performance data for the periodic requirement for reports etc. Performance management, on the other hand, is a reflection of an organisation's culture, strategic priorities and management styles. This workshop will consider the implications of linking measurement to immediate actions and how effective

information systems are a necessary foundation for Performance Management.

Financial Reporting

This workshop designed by Accounting and Auditing Standards Panel (AASP) and the Local Authority Accounting Panel (LAAP), will review the latest developments in financial reporting in the public services, including developments in applying FRS17; financial reporting under best value; progress with Whole of Government Accounts; and international financial reporting developments relevant to the public services.

Delivering value from e-government

This workshop will discuss how through the implementation of e-government solutions, the public sector can deliver real value to both their internal organisation and to citizens. It will discuss the importance of building the Business Case for e-government, to gain the support of staff and politicians. It will also examine the impact of e-government on individuals and organisations, looking at issues of accountability, transparency and accessibility.

Driving the cost out of e-government

The 2005 government target for making all services available online is looming fast, but it cannot happen without transforming business processes and managing information in a consistent and co-ordinated way. And it also cannot happen without strong leadership and cultural change. This workshop will demonstrate how public sector organisations can reduce their operational costs by implementing solutions which

specifically reduce the complexity of back office systems.

Professional Regulation

Public and media concern over the role of professional accountants and auditors has reached new heights with the high profile collapse of Enron. What should be the response of accountants and auditors working in the public services, where the maintenance of public trust and confidence in professionals to manage public money is essential? The recently established Accountancy Foundation is charged with the independent regulation of the accountancy profession. At this session, hear from Colin Reeves, Director of the Accountancy Foundation's Review Board, on how the UK regulator is going about its work and the early lessons for public service finance professionals.

In addition, there will of course be fringe events - Andrew Rawnsley, Journalist, Political Commentator and Columnist of the Year will be speaking on 12 June – social events such as the golf tournament and the gala ball, the annual exhibition and plenty of opportunity for networking. Finally, the Public Policy and Management Association (PMPA) are also holding their annual conference in Brighton at the same time (see below for further details). To register online for the CIPFA Conference, visit the conference website at: www.cipfa.org.uk/conference

For further information on joining the PMPA, contact Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL. Tel: 020 7543 5679; fax 020 7543 5695; email: sandra.harper@cipfa.org

EDUCATION AND TRAINING UPDATE

Dept for Work & Pensions achieves 'Best Practice' Award

The Dept. For Work and Pensions is the first Government Department to achieve “Best Practice” status for its CIPFA training programme under the Institute’s Employer Accreditation Scheme.

The scheme, which aims to help CIPFA improve its service to leading employers, also acts as a means of recognising good practice. The picture below shows Paul Myner from CIPFA presenting Alison Lally and Mick Davison with their award at the Department’s recent Annual Conference in Blackpool.



To find out more about CIPFA’s Employer Accreditation Scheme, please contact Paul Myner on 020 7407 9010 or refer to our website at www.cipfa.org.uk/eas

Students on the up

The number of students registering for the CIPFA qualification continues to rise; so far this year has seen an increase of 13% from Central Government departments.

‘Heads of Accounting Profession’ Conference

Representatives from CIPFA will be speaking at the HOAP’s conference on 17-18 July. The presentation will allow delegates to learn more about current developments regarding the CIPFA

qualification and other work of the Institute.

GUIDANCE FOR BOARD MEMBERS OF NDPBS IN ENGLAND

The Central Government Panel has recently published “On Board: A Guide for Board Members of NDPBs”. This practical guide provides the information needed to understand and carry out the important role of member of the board of any NDPB in England, regardless of size or function. It is generic and reflects best practice rather than being prescriptive. “On Board” contains clear and useful supportive information about the principles of corporate governance and public life, organisational structures and processes, financial reporting and internal controls as well as expected standards of behaviour. This is supplemented by nine detailed appendices covering:

- Glossary of Terms
- Statement on Internal Control
- The Principles of Corporate Governance: The Cadbury Definitions
- The European Dimension
- Commissioner for Public Appointments – Code of Best Practice
- Bibliography
- Checklist: Good Corporate Governance
- Checklist: How does your organisation measure up as an employer?
- Register of Interests: An Extract from English Partnerships.

CIPFA SUBMISSION TO TREASURY COMMITTEE

CIPFA has submitted written evidence to the House of Commons Treasury Committee inquiry into the regulation

of UK public limited companies in the light of the Enron collapse. The events and issues surrounding the Enron collapse are complex and the apportionment of liability remains to be determined. CIPFA recognises that it is therefore arguably too early to draw definite conclusions for the regulation of UK public limited companies. However, CIPFA's submission is aimed at drawing the attention of the Committee to aspects of the 'public audit model' that may have relevance in the context of the inquiry in the event that evidence shows that changes to the external audit arrangements of UK public limited companies are desirable. The aspects highlighted include:

- Auditor Independence
- Audit Quality and Regulation
- Provision of Non-Audit Services, and
- Stakeholder Reporting.

CIPFA considers that if the Committee concludes that changes in the regulation of public limited companies are required, then the UK public audit model is, despite differences between the public and private sectors, certainly worthy of more detailed consideration.

WHOLE OF GOVERNMENT ACCOUNTS

HM Treasury's Ian Carruthers, Head of the Whole of Government Accounts Project, gave a presentation on the latest WGA developments to CIPFA's Technical Committee recently. Ian began his update with a quick tour of the aims and objectives of WGA and the timetable. Significant progress has been achieved in respect of the changes to Central Government Accounts. A computer package has been procured for WGA consolidation: a pilot is in progress and full roll-out is expected by November 2002. The

presentation ended with an overview of the timetable up to 2006/07 and a list of tasks for 2002. The Treasury has a dedicated WGA website which covers the whole subject and includes the timetables (see Useful Links, below).

TRANSFORMING GOVERNMENT – THE E-REVOLUTION

Andrew Pinder, the e-envoy, delivered a key lecture on the e-revolution recently to members of the Public Management And Policy Association (PMPA). This following article, based on his lecture, is an extract from the current PMPA Review.

All too often e-government is thought about solely in terms of computers (often loosely referred to as 'IT') and, specifically, hardware and access to the Internet. Whilst IT does, of course, have its part to play this is to underestimate both the challenge and the opportunity of the revolution now underway. If the e-envoy is to be believed, it is no exaggeration to suggest that it is similar in scale, and potential impact, to the Industrial Revolution. Grasp it with both hands and we have the potential to secure major economic advantage for the United Kingdom. Let it slip through our fingers and the moment will never come again – our competitors will reap the benefits of our negligence, wariness or dilatoriness.

The importance the Government places on achieving its e-objectives is reflected in the position of the e-envoy, currently occupied by Andrew Pinder. Reporting to the Prime Minister, and overseen by the Trade and Industry Secretary Patricia Hewitt, the sole purpose of Pinder's role is to ensure that the all the pieces are in place to realise the potential of a fully e-enabled economy.

Using on-line services

It is a major challenge. The government's principal e-target for government (both national and local) is that by 2005 all government services will be on-line. In reality, *information* about services is likely to be on-line by the deadline but truly e-enabled access to all services – which will allow consumers to *use* services (pay bills, vote, get advice, file planning applications and so on) – still seems a long way off.

To achieve this, Pinder argues, one needs to take a holistic view. Such a view recognises, for example, that the e-revolution is about more than just installing computers in government and council offices and putting up a web site with a greater or lesser degree of interaction. It recognises, too, that citizens need easy access to IT and to feel comfortable – and sufficiently IT literate – to use it. It also requires, in some instances, legislation. Some transactions can, for example, currently only be legally carried out using paper based systems. In this regard, the Electronic Communications Act (2000) is an important piece of enabling legislation which, in time, will help pave the ways for processes as diverse as e-conveyancing and student loan applications to be handled completely on-line.

As well as enabling legislation, adequate safeguards and hard infrastructure are essential prerequisites of a fully enabled e-economy. As such, they are both part of the giant jigsaw that Pinder is attempting to complete. His role, and that of his department, includes regulation and establishing safeguards as well as working to open up access through more competitive pricing structures and improved access to Broadband. This latter is a major priority; although prices are coming

down, Broadband is still expensive relative to standard Internet access. In the UK, it is unavailable outside most urban areas. South Korea, Hungary and the Czech Republic are just some of the countries that currently outstrip the UK in the Broadband stakes.

New thinking needed

One of the key challenges Pinder faces is that the much vaunted joined-up approach to government and to public services is still more of an aspiration than established fact. The Inland Revenue and Customs and Excise, for example, share a substantial proportion of their customer base yet have entirely different approaches to electronic government.

One of the major factors influencing the ultimate degree of success on-line services achieve is the extent to which services and their delivery mechanisms are designed round the needs of the citizen as consumer rather than the extent to which a standardised approach designed to make things easy for the service provider is used. Most citizens at each of their major life stages, for example, need to deal with a range of government departments; it can be unnecessarily time consuming, frustrating and confusing to have to deal with each one separately and the potential – with unfettered thinking – for improving services through on-line services that cross departmental boundaries is enormous.

There are, Pinder says, some good examples of interdepartmental co-operation and lateral thinking and he uses these to encourage and inspire others; but there is still a long way to go.

Digital divide

Even if services are available on-line, they are no real use unless citizens are able to access them easily and relatively cheaply. The UK population can, to some extent, be divided into the IT ‘haves’ and have-nots’. Forty five per cent of adults regularly (ie at least once per week) use the Internet. Whilst this is seven per cent up on last year, the challenge facing Pinder is to help break through the fifty per cent barrier *and beyond* (in the US, regular use by adults of the Internet has plateaued at about fifty five per cent). Regular use of the Internet is skewed towards the younger age groups (circa eighty five percent of 16-25 year olds use it regularly), people with moderately high incomes, a good general standard of education and is slightly more predominant among males.

Inability to access the Internet – whether through lack of opportunity or skills – puts people at an economic disadvantage. They cannot, for example, access the cheap offers and fares that proliferate on the web. More importantly, their employment prospects are significantly limited.

Sixty per cent of jobs (and seventy five per cent of all new jobs) require some degree of IT literacy. IT literacy is, therefore, a major requirement for economic prosperity at both a personal, and national, level.

As recruitment, civic information and public services are geared more and more towards Internet users, as jobs become more dependent on increasing levels of IT skills, the digital divide will deepen unless more people can be persuaded to acquire, *and maintain*, essential e-skills.

Developing e-skills

This challenge is one that Pinder is keen to address. And it is a challenge that needs addressing at several levels and, thus, in different ways. There is no ‘one size fits all’ solution. People need to be *motivated* to learn – so part of the e-envoy’s strategy is to educate people about the advantages of learning new skills. For some, there are *economic* barriers – some sixty percent of adults do not have access to a PC at home and only half are able to access the internet at their workplace. The 1700 UK on-line centres already up and running and the further 6000 or so planned are a major plank in the government’s strategy to increase the IT skills base of the country by making IT more accessible. The centres also address the third major barrier – *fear*. By making skills training available, through government approved, reputable providers, and in non-threatening environments including pubs, buses and libraries, the centres overcome some of the traditional

barriers (fear of being ripped off, negative associations with the classroom and so on) to adult learning.

e-democracy

Transforming government raises the potential of transforming democracy. The low turnout figures at the last election make, to some extent, electronic voting an attractive proposition to those keen to see more citizens exercising their democratic right to vote. This month will see some 30 pilots being run, as part of the Council elections, including voting by mobile phone, electronic counting and Internet voting. Attractive though some of these options might be, Pinder recognises there are huge security and technical issues that need to be addressed before their use could become standardised or widespread. Their integrity and reliability need to be beyond question before they can become the preferred, rather than simply an alternative, *modus operandi*.

The e-revolution and its impact on the democratic process is not, however, merely confined to voting systems. The increasing use and potential of the Internet for canvassing opinion and for public consultation raises questions about the roles and responsibilities within a *representative* democracy that will need to be resolved if it is to help rather than hinder the democratic process.

Knock-on benefits

The ultimate test of his success, Pinder recognises, will be not just the extent to which e-government gives the country a competitive edge, nor just the extent to which it improves services for citizens interacting with government and officials on a fairly regular basis but also the extent to which it improves services – for example in old people's homes and hospitals – by freeing up resources. If

it can achieve that then his suggestion that this is bigger than the Industrial Revolution may yet well turn out to be true.

BENCHMARKING: A MANAGEMENT TOOL IN THE PUBLIC SECTOR

Benchmarking is a management tool used extensively by business to improve performance both in cost and quality terms. In the public sector, however, it comes in a number of forms. It has even been used to assess the performance of a country as a whole – Denmark, for example has carried out a great deal of work in this area. More usually, however, and increasingly in the public sector benchmarking is used in the public sector for the detailed examination of the operation of a particular public service in order to compare costs with similar organisations and to explore the reasons for significant differences.

Benchmarking is still evolving as a management tool and a recent publication "The use of benchmarking as a management tool in the public sector to improve performance" has been issued by the Federation des Experts Comptables Europeens" (FEE) as a discussion paper in order to further the evolution process. The paper is published in the UK by CIPFA and available from the CIPFA Shop (details below).

The paper begins with a useful definition of benchmarking and an exploration of the differences between benchmarking and other review techniques and between benchmarking and benchmarks. Simply listing measured results or league tabling is not enough: benchmarking proper involves a detailed review and comparison process and if used correctly can be a valuable management tool helping managers to:

- Identify which processes to improve
- Set targets for improvement
- Reduce costs
- Improve the effectiveness of operations
- Deliver services to a defined standard
- Focus on planning

For the organisation as a whole, benchmarking can help to move it to continuous performance improvement and further the development of a culture in which it is easier to admit mistakes and make changes.

The paper contains a useful section which explains the key terms used around benchmarking. It explores four different types of benchmarking in public services.

For the finance practitioner, however, the most valuable parts of this publication will be the practical sections. The five possible stages of benchmarking are set out clearly on a step by step basis and ground rules are given to help managers with each step. There are useful tips on choosing partners for the purposes of meaningful comparison, a checklist of core functions which are obvious candidates for benchmarking and a list of preparatory prerequisites. A whole chapter is devoted to a practical example of how benchmarking clubs have been developed to meet the needs of local authorities in the UK. Other public sector organisations could join these clubs if they wished to compare their costs and participate in the benchmarking process. The main focus of these clubs is on benchmarking costs, and to a lesser extent – for pragmatic reasons to do with the difficulty of measuring and comparing quality – on quality.

The first CIPFA Benchmarking Clubs launched were for benchmarking functions common to most public

services, such as payroll and creditors and these were well received. Benchmarking Clubs have now been established on two levels:

Level 1

An overview that takes the total cost of the finance function, divides this into defined activities, such as payroll, audit etc, and provides a single headline benchmark for each activity, eg cost per payslip, cost per audit activity.

Level 2

Separate clubs that provide detailed benchmarks for each activity, eg payroll, creditors, accountancy and financial control, audit and pensions administration.

A fully worked example of outputs is set out in an appendix to the paper, including data and charts.

The Use of Benchmarking as a Management Tool in the Public Sector to improve Performance: A Discussion Paper can be ordered online at the CIPFA Shop, details at www.cipfa.org.uk

CIPFA'S CENTRAL GOVERNMENT PANEL

The Central Government Panel reports to the Institute's Technical Committee. It meets four times a year and is responsible for all financial management and policy issues that affect central government. In particular, the Panel:

- develops Institute responses to Government, professional bodies' and other bodies' consultation/discussion papers and exposure drafts
- develops, promotes and maintains best practice, standards and guidelines
- produces and disseminates relevant advice and material for members

and employers in central government

- establishes positive and productive professional relationships with Government, government departments and agencies, the national audit bodies, professional regulators and other bodies falling within the Panel's defined areas of responsibility.

The current Panel members are:

Martin Sinclair National Audit Office
(Chairman)

Barry Atkinson Formerly Customs & Excise

Brian Baverstock Scottish Funding Councils for Further & Higher Education

Phil Butlin Department for Work & Pensions

John Codling Department for Work & Pensions

Paul Connew KPMG

Alistair Cook Passport & Records Agency

Chris Cooper Civil Service College

Sharon Davies National Assembly for Wales

Steve Heminsley Inland Revenue

Wil Huntley The Environment Agency

Curtis Juman Department of Trade and Industry

Lesley Lodge CIPFA
(Secretary)

Terry Price Sport England

Chris Richards HM Treasury

Mike Suffield National Audit Office

Steve Will National Air Traffic Services Ltd

PUBLIC MANAGEMENT AND POLICY ASSOCIATION (PMPA)

The PMPA is a national membership organisation managed and supported by CIPFA which is designed to bring together managers and policy makers from across the public services. The PMPA provides a forum in which members can discuss public policy and management issues that straddle programmes and sectors. PMPA members receive copies of CIPFA's quarterly journal (Public Money and Management), the PMPA Review and PMPA Reports. It runs 10 lectures a year and has an annual conference. The 2002 conference theme "DELIVERY, DELIVERY, DELIVERY – are the right people doing the right things?" offers opportunities to hear leading figures from the public services draw lessons from their experience of the 'delivery' agenda and to reflect, in discussion with peers and colleagues, on the implications of this for one's own practice. The conference takes place at the Hilton Brighton Metropole on 12 June. The PMPA also runs sounding boards and workshops. The PMPA is supported by over 20 associated bodies, including the FDA, CIPFA, ACCA and CIMA.

The PMPA runs an extremely popular evening lecture programme (priority for places goes to PMPA members). Forthcoming speakers will include Professor Robert Hazell, Director of the Constitution Unit, University College, speaking on 11 July about data protection and the Freedom of Information Act.

JOINING IN

Further information on joining the PMPA is available from Sandra Harper at CIPFA, 3 Robert Street, London WC2N 6RL. Tel: 020 7543 5679; fax 020 7543 5695; email: sandra.harper@cipfa.org

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

CIPFA

For further information on CIPFA's annual conference or for a wealth of information on the other aspects of 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.

Whole of Government Accounts

The WGA website at www.wga.gov.uk has a really good introductory section for those new to WGA and a useful resources section for practitioners. Key lists, tables, and deadlines are set out

on the site and there are links to other relevant sites.

ukonline

For a portal to all other Central and Local Government organisations, try www.ukonline.gov.uk/

National Audit Office

www.nao.gov.uk The National Audit Office scrutinises public spending on behalf of Parliament. It audits the accounts of all government departments and agencies as well as a wide range of other public bodies, and reports to Parliament on the economy, efficiency and effectiveness with which Government bodies have used public money.

Public Finance

The Public Finance Internet Magazine includes a whole area devoted to central government as well as separate areas for Health, Housing, Education and Local Government. Visit the area and read the latest central government news stories. www.publicfinance.co.uk