FURTHER AND HIGHER EDUCATION NEWSLETTER

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AT THE HEART OF PUBLIC SERVICES

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INTRODUCTION

Welcome to the thirteenth newsletter for finance practitioners and CIPFA members working in the further and higher education sectors. The Panel comprises directors of finance from a range of further and higher institutions together with representation from the funding councils, audit firms and the National Audit Office. This newsletter has been prepared by CIPFA's Further and Higher Education Panel. The Panel's members are:

Peter Cooper (Chairman)	*University of Dundee*
Kerry Ace	*CIPFA*
Andrew Clark	*Welsh Assembly Government*
Peter Curran	*Royal Welsh College of Music and Drama*
Kirsten Gillingham	*Consultant*
Richard Harris	*Higher Education Funding Council for England*
Ann Hughes	*Newark and Sherwood College*
Julian Gravatt	*Association of Colleges*
Colin Hubbard	*University of Bolton*
Jo James	*National Audit Office*
Ian Looker	*Pricewaterhouse-Coopers*
Stephanie Mason	*Baker Tilly*
Jennifer McLaren	*SFEFC/SHEFC*
Ben McLeish	*Edinburgh's Telford College*
Ian Noutch	*Barking College*
Steven Rankine	*Loughborough College*
Mike Rowley	*KPMG*
Allan Spencer	*University of Sussex*
Graham Try	*Richmond upon Thames College*
Nicholas Williams	*HEFCW*
John Woodall	*University of Essex.*

The Further and Higher Education Panel's purpose is to develop, promote and maintain best practice standards and guidance and produce and disseminate relevant advice for finance practitioners in the further and higher education sectors.

NEW PANEL CHAIR

After a term of four years, Graham Try has stepped down as Panel Chair. We are immensely grateful for the way he had steered the Panel over recent years. His support and determination have ensured the continued success of our programme of courses and publications. We are pleased that Graham is to continue as a Panel member.

Our new Chairman is Peter Cooper, director of finance at the University of Dundee. His career began in local government where he worked as a trainee accountant for Grampian Regional Council between 1980 and 1984. He then moved to Fife Regional Council finance department for three years, worked for Glenrothes Development Corporation for a year before undertaking the role of principal accountant for Fife Regional Council (education department) between 1988 and 1992. Peter has considerable experience of both the further and higher education sectors. He went on to become director of finance at Fife College of Further and Higher Education in 1992 before moving to the University of Dundee in 1996. We look forward to working with him in his new role.

PANEL MEMBER PROFILE

We were very pleased when our fellow Panel member Ian Johnston was awarded the title LSC College Finance Director of the Year 2005. Ian was appointed director of finance at Liverpool Community College in July 1992, three months before incorporation and nine months prior to the college becoming independent in April 1993. The college inherited a deficit of £2.3 million and 14 rundown centres worth £8.5 million. Since then the college has opened four purpose built new centres and refurbished another two centres. The college has undertaken capital works on new build and refurbishment to the value of £44 million which has been financed from capital grants, capital receipts from the sale of redundant sites, borrowing, and college reserves. The college now has assets valued at £38.2 million and reserves of £19.8 million (2004/05 accounts) and has gone from being a category C financial health college to a category A financial health college.

Ian is the representative for the North West Region of colleges on the national College Finance Directors Group and is a much valued member of CIPFA's Panel.

CIPFA PUBLICATIONS

As part of its work programme, the Further and Higher Education Panel develops guidance on financial management and policy issues relating to further and higher education. The Panel's most recent publications are:

A Handbook for Audit Committee Members in Further and Higher Education – fully revised second edition

This updated publication provides a practical source of guidance and advice for audit committee members in further and higher education and for other interested parties. It describes audit committee members' roles and responsibilities; the role of internal and external audit; and the responsibility of management to review critically its control environment.

This edition, published in April 2005, includes new sections on corporate governance and risk management. It includes a good practice checklist in the appendices, which will help audit committee members to assess the effectiveness of their own committee. It will also form a useful basis for any future actions.

This guide is now available priced £25.00. Discounts are available for multiple purchases.

Other Publications

Further Education Finance (fully revised edition) (2004) £79.50 for the first copy and £40 each for the second and subsequent copies.

Higher Education Finance (Fully Revised Second Edition) (2002) £79.50

An Introductory Guide to Risk Management in Further and Higher Education (1999) £39.50

Mergers and Collaboration – A Guide for Further and Higher Education Institutions (2000) £49.50

A Model Set of Financial Regulations for Further and Higher Education Institutions (2003). Available as a book (£35.00) and on CD-ROM (£64.63)

A Resource Quantification Model: Case Study from the Further and Higher Education Sector (2000) £19.50

The Use of Service Level Agreements in the Further and Higher Education Sector (1998) £39.50

{Code of Practice for Treasury
{Management in the Public Services
{(2001) £97.50
{Treasury Management in the Public
{Services: Guidance Notes for Higher

{and Further Education Institutions
{(2002) Free
Guidance for Smaller Public Service Organisations on the Application of the CIPFA Code of Practice for Treasury Management in Public Services (2004) £49.50

For further details, please see CIPFA's website at www.cipfa.org.uk/shop

FORTHCOMING PUBLICATIONS TO BE PUBLISHED IN 2006

Partnerships and Alliances

In recent years there has been major diversification and expansion in the further and higher education sectors. Funding systems continue to evolve and the level of resources available to institutions is a major concern. Today, institutions have strong incentives to enter into partnerships and alliances for many different reasons.

Partnerships take many forms and raise a whole variety of management challenges. In particular, a new set of skills and competencies are required for those involved in the new organisational arrangements. At the same time, methods of evaluating partnerships and alliances to establish their effectiveness need to be introduced.

CIPFA's Further and Higher Education Panel has responded to these issues by compiling this volume which describes four very different partnerships and alliances in place in four very different institutions. It also contains a section which develops key themes and provides guidance and advice which should be considered along side the examples shown. The volume illustrates that universities and colleges are adopting a variety of approaches to forming partnerships and alliances and will provide an excellent opportunity for practitioners to learn from each other's experiences.

A Guide for finance committee members

The Further and Higher Education Panel is currently working on guidance for finance committee members in colleges and universities. The guide explores their roles and responsibilities and aims to help such committees work more effectively. In particular, it looks at:

- governors responsibilities for financial matters
- the establishment and operation of an institution's finance committee
- budget monitoring
- financial management
- fees and charges
- financial results
- financial strategy
- third party transactions

This guide will be published later on in 2006.

PANEL COURSES

The Further and Higher Education Panel aims to hold two courses a year for practitioners. On 6 December 2005, 44 delegates attended a seminar addressing current development issues in further and higher education at the Holiday Inn Bloomsbury, Central London. The sessions covered:

- the reform agenda
- an employment law update
- balance sheet management
- improving procurement practice – experience in higher education
- managing financial risk
- a technical accounting update.

Our next seminar is scheduled to take place in early June and will look at diversifying income streams. The following sessions will be included:

- the experience of a successful higher education institution in diversifying income streams
- further education income from employers
- donations, endowments and other sources of income
- case study on linking with a private sector partner for income

generation
- European funding opportunities.

For information on courses, please contact Kirsten Ewald (kirsten.ewald @cipfa.org)

RESPONSES TO CONSULTATION DOCUMENTS

In 2005 CIPFA responded to the following consultation documents which will be of interest to further and higher education institutions.

- The Agenda for Change. Funding Reform – Technical Proposals (LSC)
- Accountability for Higher Education Institutions – Consultation on a New Process (HEFCE).

These responses can be found on CIPFA's website at www.cipfa. org.uk/pt/responses.cfm together with a full list of responses made by the Institute.

OTHER NEWS FROM CIPFA

Public Benefit OFRs

During January, CIPFA and RSM Robson Rhodes published a discussion paper '*Public Benefit – OFRs – a catalyst for enhancing accountability?'* This discussion paper is intended to promote discussion and debate with a view to influencing guidance produced by the regulations and standard setters. The paper asks whether the private sector guidance on the Operating and Financial Review could be helpfully adapted for public sector and other non-profit bodies. This is relevant both to those who will be producing OFRs under existing arrangements and to those without a requirement to do so.

The paper outlines the main issues and asks the following key questions:

- Is the OFR the best approach? Should all public benefit entities produce OFRs?
- Who should public benefit OFRs serve?
- What information do readers need? How would OFRs fit in with information that is already available and reports that are already required?
- Should separate guidance be developed for different sectors? If so, who should issue the guidance?

Copies are available for free download at athttp://secure.cipfa. org.uk/cgi-bin/CIPFA.storefront/EN/ product/FM034

SPACE OPTIMISATION AVOIDANCE TACTICS

As readers may know, the Further and Higher Education Panel is also currently working on a new resource allocation model compendium which will be published later in 2006 or early 2007. One of the issues touched on will be charging for space. Colin Hubbard, director of finance at the University of Bolton and Panel member looks at some problems that Bolton is experiencing in getting to grips with this thorny issue. This article first appeared in a December issue of Bolton's weekly staff bulletin.

As you are aware the University's Space Optimisation Team has done an excellent job in improving the efficiency of our use of space. It has already significantly reduced the incidence of space booked but not used (SB^2NU) and space used but not booked (SUBNB). However, it has come to the notice of the team that there is now a growing practice of space optimisation displacement activity (SODA). This appears to be an unscrupulous attempt by some individuals to avoid their fair share of space charges and is manifested by moving chargeable activities into non chargeable spaces including stairwells, corridors, lobbies and sluice rooms. With effect from 1st January SODAs will be brought within the charging mechanism as follows.

A SODA will be deemed to have taken place if two or more people have loitered within speaking proximity for more than 30 seconds. The only exception to this rule will be loitering in the Café Athena queue where 30 minutes will be allowed. Individuals loitering on their own for periods in excess of 60 seconds (60 minutes for the Café Athena queue) will be deemed to be 'loitering with intent to cause a meeting' and all charges for any SODA that materialises from this activity will be doubled.

There is also strong evidence of SODAs in close proximity to the University's urinals. To test for legitimate use, output measuring devices have been installed and the passing of both muster and water are now interdependent. Similar arrangements have been made in the Sports Hall showers. Please note that the sensitive equipment that you will see hanging in these areas should not be interfered with.

Academic staff members found talking to groups of students in non chargeable spaces will be deemed to be holding displacement seminars (DS) and will be charged accordingly. The size of a student group that constitutes a DS is based on a complex formula and will vary from subject to subject but will range from 62.7 FTEs (Sports Rehabilitation) to 1.3 FTEs (Philosophy).

To further hone the skills of the Space Optimisation Team a series of on line training modules has been purchased from a specialist in the HE sector in innovative space concepts and we are deeply grateful to Professor Colin Pillinger for these. All aspects of these modules have been highly successful with the single exception that all of the files have failed to open. However, we all live in hope, (not the Derbyshire village).

Colin Hubbard
(Executive Member responsible for space optimisation and corporate door handles).

DEVELOPMENTS IN ACCOUNTING STANDARDS – UPDATE

Introduction

From 1 January 2005, listed companies have been required to prepare their financial statements based on international financial reporting standards (IFRS) as adopted by the EU. Whilst unlimited companies are not required to do this, the ASB recognised that it would not be sustainable in the long term for UK accounting standards to differ from international accounting standards and developed plans for phased convergence between UK GAAP and IFRS. However, in practice, this had not proved to be straight forward.

Recent exposure drafts have been complex and, in some cases, proposed guidance has been inconsistent with other IFRS. There has also been concern that although the International Accounting Standards Board (IASB) has encouraged discussion prior to releasing exposure drafts it has been less receptive to subsequent comment.

As a result, the ASB is enhancing its own communication strategy to ensure that stakeholders are involved at an earlier stage and have the opportunity to influence the development of guidance. The ASB has also abandoned its phased convergence approach. The revised approach is likely to be 'big bang' convergence and may fall short of full convergence. It is currently unclear what UK GAAP will be for 'middle tier' companies – those which are too large to apply The FRS for Smaller Entities (FRSSE) but are not yet required to adopt IFRS. It is likely that whatever degree of convergence is decided for these companies will also form the starting point for financial reporting in the UK public benefit sector.

The main changes for far

Since the last Statement of

Recommended Practice: Accounting for Further and Higher Education (SORP) was introduced there have been many new standards and exposure drafts published some of which cover key areas for further and higher education institutions. The main changes so far include:

FRS 21 Events after Balance Sheet Date

Previously, institutions were able to calculate and declare gift aid after year end. Now the institution must make sure that a liability exists for gift aid before year end. The final amount does not have to have been worked out, but it must have been declared to the board being 'gift aided' before year end in order to indicate the extent of taxable profits to the parent institution. If this is not done, gift aid cannot be recognised in the accounts for that year.

FRS 25, Financial Instruments : Disclosure and Presentation and FRS 26, Financial Instruments : Measurement

Much of FRS 25 and FRS 26 relates to complex instruments, many of them derivatives, which are unlikely to be common in the further and higher education sectors. In the majority of cases in further and higher education institutions there will be little change. If, however, an institutions is holding an investment or loan for trading or for the purposes of making short term profit then the institution may have to value them differently. In addition, as the standards enhance the presentation and disclosure of all financial instruments there will be additional disclosures. It should also be noted that although previous financial instrument disclosures only applied to listed companies, they now apply to all entities.

Recent Consultations

There have been a number of exposure drafts out for consultation recently, some of which will be of particular interest to further and higher education institutions. They include:

FRED 36 Business Combinations

The International Accounting Standards Board (IASB) is undertaking a lot of work in the area of business combinations ie when two entities combine. In the further and higher education sector, when two institutions have combined in the past merger accounting has always been adopted. However, internationally merger accounting does not exist – one entity must acquire another. The asset values and liability values would have to be adjusted to fair value and 'goodwill' measured. If this exposure draft becomes a standard it would represent a significant change for the further and higher education sector.

Fred 37 Intangible Assets

Under current UK standards institutions need only recognise bought intangible assets. If they generate intellectual property internally it doesn't tend to be recognised as an intangible asset. If this exposure draft became a standard, much more internally generated intangible assets would be quantified and valued on the balance sheet, so intellectual property calculations could become an issue.

FRED 39 Non-Financial Liabilities

If FRED 39 becomes a standard it will replace FRS 12. The biggest change here would be the way provisions in particular are measured. The most important change proposed is that probabilities features in measurement not in recognition. For example, if an institution has a number of legal cases, if it was more than likely that the institution would have to pay out, the liability would be calculated and recognised in full. Under the proposals in FRED 39, for potential obligations, the probability of the obligation happening would be measured and applied and this would be recognised as a balance sheet provision. For example, a case for £100,000 against an institution which was only 25% likely to succeed would result in a provision of £25,000 in the balance sheet.

The Statement of Principles for Public Benefit Entities

In August 2005 the ASB issued as an exposure draft the Statement of Principles: Proposed Interpretation for Public Benefit Entities. It includes proposals to update SSAP4, capital grants which will be of interest to further and higher education institutions. The statement proposes that capital grants should be recognised as income once all the conditions of the capital grant are met. It would no longer be possible, therefore, to hold deferred capital grants in the balance sheet as a deferred item.

In addition, the Statement contains proposals concerning when income from research contracts and other performance related grants and the associated expenditure should be recognised. Currently, a big issue in the higher education sector in working out the year end balance sheet is calculating the position on research contracts and whether an institution needs to defer or accrue income. The Statement proposes that if a non-performance related research grant has been received which covers, say, a three year period, then the income should be recognised immediately. If staff were employed for that three year period, the argument would remain that the income should be recognised immediately as long as a commitment to employ the staff throughout this period – through the employment contracts for example – exists. This arrangement would be rather different to the current 'spreading' based on related expenditure. If an institution wanted to continue to relate the income to the expenditure pattern, it would need to demonstrate that it was not entitled to the income until the money had been spent.

The consultation period for the Statement of Principles[1] closed at the end of November and the ASB will be issuing it in its final form in 2006. Once it has been issued, the further and higher education SORP will need to be updated accordingly.

Current consultations

The ASB issued a discussion paper[2] 'Heritage Assets: can accounting do better? in January 2006. Most UK heritage bodies are central government NDPBs or charities (or both). However, heritage assets are also held by other bodies including some universities.

Key proposals in the discussion paper are that:

— assets are only heritage assets if they are held for the heritage purpose and this is central to the body they are held by
— there should be no 'mixed' accounting for heritage assets. Broadly speaking, all assets in a group should be capitalised, or none
— pragmatic approaches can be adapted to obtaining values in certain cases
— if valuation is not practicable, non-capitalisation is permitted, with additional disclosures, including note disclosure of value data which is available, and a new presentation of purchase information which distinguishes capital expenditure from other expenditure (even though the associated assets are not capitalised).

Charities Bill

Although the Charities Bill was shelved prior to the last election, the government remains committed to it and it is expected to return to

[1] CIPFA's comments on the Statement of principles can be found at www.cipfa.org.uk/pt/resonses.cfm
[2] CIPFA's Accounting and Auditing Standards Panel is coordinating CIPFA's response to this discussion paper. If you would like to contribute, please send your comments to Steven Cain at steven.cain@cipfa.org by 10 May 2006

Parliament soon. The key changes for further and higher education institutions will be regulatory. If the bill becomes an Act, all education bodies would have to register with the Charities Commission. Part of this registration would require institutions to prove on a regular basis that they are providing public benefit. This is unlikely to be a problem for the sector. It will also mean that the Charities Commission would have the power to investigate further and higher education bodies at the request of the main regulators.

In 2005 the Charities SORP was updated for the first time in five years and now contains the new provisions relating to accounting for government grants. If the bill becomes an Act there may be pressure for the Charities SORP and the further and higher education SORP to converge wherever possible.

REFORMING THE PUBLIC SERVICES
FRANCIS TERRY

Interdisciplinary Institute of Management, London School of Economics

It is the job of the public services—and always has been – to find ways of working with politicians, however difficult that may be, and helping them deliver their objectives. That is part of the public servant's professional culture, and it is a matter for regret that a number of government ministers in recent years have behaved as if their officials are either incapable of devising policy or liable to obstruct its implementation. Instead, they have turned to special advisers, consultants or, more radically, sought to transfer responsibility to the private sector. The result has been that many public servants, particularly in central government and the health service, are at risk of losing confidence in their role. Undoubtedly, civil servants face a need to modernize and update their skills. But by-passing or discounting their intelligence, knowledge and advice is simply funking the challenge of change. Moreover, it loses the strategic value of the civil service at the centre, which knows (or should know) its way around the multiplicity of public bodies that now exist to deliver services, and their capabilities. In a time of relative economic prosperity, government has also blurred over the confusion about policy responsibilities and rational strategies for implementation by pumping in money. The results have been exposed in the reports of the National Audit Office and the House of Commons Select Committees: transport is a striking example. The Transport Select Committee reports on the London Underground Public–Private Partnership (PPP), for example, reveal that £21M was paid to PricewaterhouseCoopers for financial advice, £12.5M to PA Consulting and £13.8M to Andersen Consulting for business advice, and a startling £26.5M to 'other external advisers'. All this expensive advice did little to reduce the five years of argument and delay surrounding the idea of the PPP. The position is complicated by the perpetual anxiety of government to show rapid results (which of course is not a feature peculiar to the present government). But in recent years it has resulted, under Treasury leadership, in a heavy reliance on target-setting, performance measurement and inspection regimes. Much has already been written about the latter two topics, so I shall concentrate in this article on the first of these. Targets can be useful when they are developed in conjunction with the people who have to achieve them, and when there is a collective commitment underlying them. A positive example comes from Kent County Council which, in 2001, volunteered to try and cut the road casualty figures for children in the towns of Dover, Ashford and Gravesend by 20% within two years. With the aid of a £150,000 campaign, the number of child casualties was indeed reduced—by

43%. It sounds good; but the appeal of target-setting has been so seductive that it has been imposed across the public services in completely inappropriate ways, sometimes with laughable results. Who now believes that 25 new rapid transit lines will criss-cross British cities by 2010? Or that the maintenance backlog for local roads, bridges and lighting will be abolished by the same date? The Treasury developed a series of Public Service Agreements—on the face of it, very appealing to ministers—but largely dependent on organizations far from the centre of government for their achievement. Most stakeholders have been disappointed by the results. Target-setting appeals because it gives a sense of power and conveys the image that the government is in control, even when (as in transport) the responsibility for delivery has actually been given up to the private sector, or relies on local authorities or other agencies. Other problems arise from the fact that, as W. Edwards Deming realized in the early 1950s, targets may be what he called 'facts of life' or they may be genuine 'ability goals'. Suppose a manager is given a target to raise sales by 10%—or to take a real example from the *10-Year Plan for Transport*, to achieve a 50% increase in passenger-kilometres travelled by rail. Government may *hope* that the workforce will feel motivated to work more productively and achieve the target—but that is all it can do. The reality is that market conditions may prove far more influential in determining the outcome. Sales may rise by 10% simply because customers have more to spend; or the manager may cheat a bit by cutting the price and—lo and behold—sales do go up! As an aside, no-one is certain (despite what the 2004 White Paper on transport says) that the massive rise in passenger-kilometres travelled by rail over recent years is the result of railway management no longer being 'limited by the structure of an industry in the public sector' (the phrase used in the 1992 White Paper on rail privatization) or whether the growth has actually occurred *in spite of* the fragmented structure of the railway industry. To many observers, it looks more like a 'fact of life' than a goal achieved, with all due respect to the railway managers. In April 2005, Francis Terry delivered a PMPA public lecture on the theme of 'From White Paper to Policy in Action' which reviewed how government policy has been explained, justified and implemented over the past 20 years. Transport policy was taken as a case example. This article is based on the concluding part of the lecture. Review No. 31 4 Moreover, *organizational* targets almost inevitably become translated into *individual* targets for managers and workers. This puts pressure on people to compete with each other (like salesmen selling cars). Yet many of the public services depend for success on collaboration, coordination and co-operation. These attributes have a special significance in transport where the importance of the system as an integral whole is of paramount importance for safe and efficient operation. In their concern to meet reliability targets, it has been known for the privatized train companies to run trains which omitted various timetabled stops— regardless of any intending passengers—simply to avoid the financial penalty for cancellation. Clearly, a system organized on such lines is behaving sub-optimally. And it is not just a case of the wrong targets being set: the issue is more fundamental than that. If we ask why people initially choose to work in the public services, the answer is illuminating: it is usually because they believe in the *outputs* of the organization they have joined—however intangible or unmeasurable these may be. They want to make a difference to the conditions of human life and society; they are not necessarily there because they can't (as Lady Thatcher put it) 'get a proper job'. People who go into business tend to care rather less about the *nature* of the outputs; their motivation owes more to ambition, financial rewards and—not to be under-estimated— the opportunity for risk-taking. Given the underlying beliefs and motivations of public servants (which, by the way, are graphically demonstrated in the Public Servants of the Year awards) what is the result of requiring them to perform in perverse ways in a dysfunctional context? They become disillusioned, they distrust the measurement process, and they subvert it. They are reduced to 'going through the motions' rather than doing what they believe in. Thus the machinery of target-setting, performance measures and excessive inspection is by and large undermining one of the public services' strongest assets. A descending spiral sets in: politicians are frustrated by the lack of immediate results from the policies they have chosen. At first, the remedy seems to be to pump in more money. When the results do not appear it is assumed the public servants are dragging their feet, are inefficient or incompetent and the supervisory regime must therefore be toughened up. That leads to demoralization, distortion of effort, waste of resources and a further round of nebulous demands for 'public service reform'. It goes further than that. The slow progress towards results has tempted politicians into the sort of disingenuous cover-ups and quick fixes, which Sir Christopher Foster has described in his recent book on *British Government in Crisis*. Government feels it incumbent to persuade us that improvements are happening, even when they are not. It is subject to the serious charges, by Professor Stone and others (see Stone, 2005) of skewing the research results, manipulating the statistics and selecting the evidence to its own advantage to a previously unparalleled degree.

An Agenda for Improvement: The Political Style

To improve matters, I believe that politicians have first of all to recognize the distinctive character of the public services, to trust them, and learn to exploit the potential assets of the workforce rather then disparaging and seeking to sidestep them. Having an organization staffed by people who believe in what they are doing confers an enormous potential advantage: compare the effort and investment which private sector firms put into promoting their 'mission', cultivating their corporate values, or incentivizing the sales-force. These are the remedies for organizations which suffer recurrent problems of motivation and loyalty. Second, there has to be a recognition that sound policymaking is not helped by producing white papers that are simultaneously trying to act as publicity documents or, at the other extreme, which obfuscate some of the central issues. Government is for most purposes where the buck stops, and failure to accept this only tempts others to fill the vacuum, which of course they may try to do, though without the same legitimacy. Third, there has to be a better balance between central and local responsibilities. Government cannot continue to pretend that it controls things for which it does not, and I believe cannot, have executive responsibility. That is the delusion of target-setting. Common standards are important, and in a mobile world people increasingly expect them. But they have to be planned, agreed and implemented collaboratively by the non-executant and the executant arms of government.

And On the Civil Service Side…

The other side of the coin is that there has to be a re-education and a re-training of public servants to master the skills which bear on policy implementation as well as policy analysis. The Professional Skills for Government initiative, launched by Sir

Andrew Turnbull in October 2004 is a vital step in this direction—if it succeeds. A much wider range of professional competencies has to be developed among civil servants—not just more accountancy and contract law. One of the most telling observations by the Transport Commissioner for London, Bob Kiley, on his early meetings at the Treasury was to find the room filled with economists, special advisers, lawyers, 'generalist' civil servants and—'Not a [transport] operator among them'. November 2005 5 Another area where the expertise of civil servants has to be expanded is in the range of instruments for implementing policy. The traditional ones are limited in number, and mostly blunt. The two most important of them are giving (or taking away) money and changes in organization, for both of which legislation may well be needed. Over-reliance on the first of these runs the risk of squandering resources and falling efficiency; over-reliance on the second runs the risk of creating a sense of turbulence and inconsistency, leading to further waste and inefficiency. Legislation does not, of itself, achieve good implementation; and it does not make up for weak policy formulation. Concentration on these two very powerful instruments is naturally a focus of political interest. But the policy aspirations of white papers will be doomed if we cannot think more imaginatively about the relationship between means and ends. Civil servants need to be more versatile in thinking about funding and management solutions to policy problems. As readers of the transport theme issue of *Public Money & Management*, Vol. 25, No. 3, published in June 2005, will know, there are quite a number of ways to raise money for transport projects which either use fiscal and funding mechanisms in novel ways or don't involve the public purse at all. For example, the sponsorship of new technologies in transport is seriously under-invested; and there is substantial scope for funding infrastructure, through the gains in property values which may result from transport improvements. After a decade of working in various contexts with the private sector, public servants need to codify their experience of partnering, contracting, risk-sharing, cofinancing and so forth. At the moment, these techniques are, I believe, understood among a select band of individuals—mostly in local government, and some at the centre—but that knowledge needs to be disseminated and applied more widely and effectively. More extensive interchanges of personnel—local to central government, public to private or voluntary sector and *vice versa*—will help here, with associated career incentives and rewards. The elite culture of the policy makers, separated from the agencies responsible for delivery, inhibits learning on both sides and has to be transformed. Moreover, there are developments taking place in Scotland and Wales, which we should learn from. New structures for collaboration between officials and elected representatives are emerging, with mutual learning about the methods of implementation, and the rate at which changes can be achieved.

Conclusions

An agenda for reform in public services has to find ways of integrating sources of policy advice, so as to restore the balance of trust between politicians and their officials. It needs to accept (as I think Sir Andrew Turnbull has done) that officials will benefit from broader and deeper professional development; and become more imaginative and flexible in thinking about implementation. Finally, I suggest that the temptation to impose manifold unmeasurable or unrealistic targets should be resisted, along with the urge to centralize, or to delude oneself that poor policy-making can be compensated for by promises, hasty legislation, slick presentation and throwing in money. In short, ‘more haste, less speed’.

Reference Stone, M. (2005), Accumulating evidence of malfunctioning contractual government machinery. *Public Money & Management, 25*, 2, pp. 82–86.

If you have any suggestions on topics the Further and Higher Education Panel could address in its guides and newsletters, please list them below. In addition, any comments, or suggestions for sessions that could be included in future courses would be welcome.

Fax back	Further and Higher Education Panel
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Fax	020 7543 5695

From --

Organisation ---

Contact
Number --

Email
address ---

or email Kerry at kerry.ace@cipfa.org

Comments :