

# Quick, clean and impartial



CUTS TO PUBLIC SECTOR BUDGETS ARE INEVITABLE, AND LOCAL GOVERNMENT TREASURERS ATTENDING THE 2010 CIPFA ANNUAL CONFERENCE WERE GIVEN A GREAT DEAL TO PONDER, AS PETER MATZA REPORTS.

This year's annual conference of the Chartered Institute of Public Finance and Accountancy (CIPFA) took place against the backdrop of an incoming coalition government and its likely squeeze of the public finances. With no great enthusiasm, local government finance managers have realised they will be the bearers of bad tidings for all their colleagues. The message of the conference, however, was in some ways optimistic. CIPFA members believe that they have many of the right tools to meet the challenges of reduced budgets as well as the necessary flexibility and analytic skills to address new issues as they arise. On a more positive note, 2010 is also the 125th anniversary of the founding of CIPFA, which is a professional association with a proud tradition of public service.

Many of the keynote speakers and sessions concentrated on the challenge to local government financing and financial management that will follow likely reductions in spending and central government grants. Goran Persson, prime minister of Sweden during its financial crisis of the early/mid 1990s, advised the conference to make budget reductions clean, direct, across the board and quick. The intention of government should be to treat all sectors of the economy alike, he said, and to ensure that communication was transparent and consistent in its delivery; in effect, treating all stakeholders alike.

However, Persson went on to say that governments should also take the opportunity to enforce structural

reforms in budget management and government operations to ensure a new resilience in public finances.

The critical issue, said Persson, was for the government to retain credibility and hence international confidence in the domestic economy. From a philosophical perspective, he defined the government position by suggesting that in a Western economic context "an indebted government and people have no political freedom because the markets will act independently". Interestingly, he suggested also that much more care is taken with spending

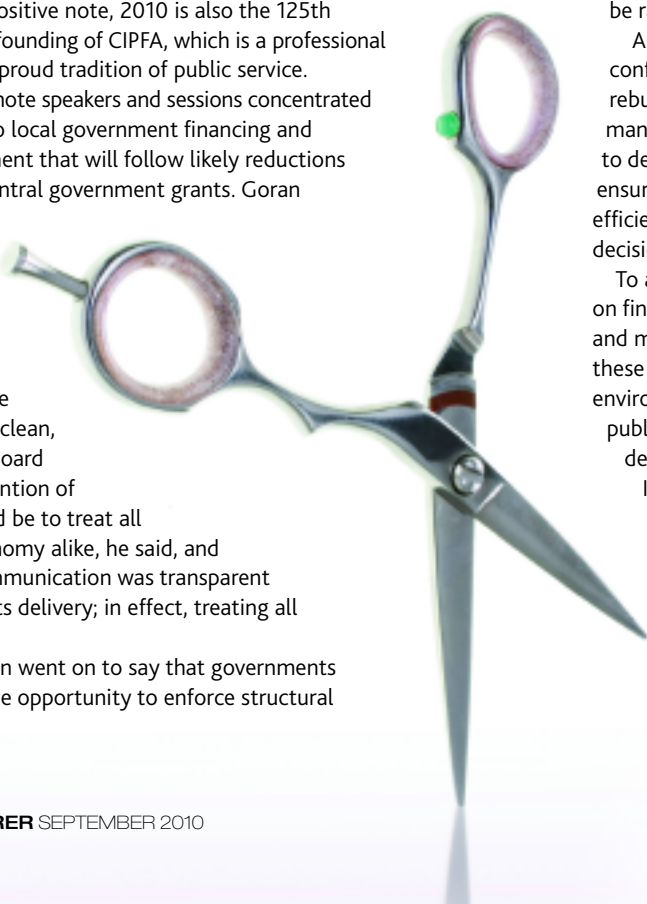
reductions and their impact rather than with taxes, as taxes can be raised or lowered quickly and with less political upheaval.

A subsequent panel debate and discussion addressed how confidence in the management of public finances could be rebuilt and then maintained. Treasurers and finance managers are well aware that their colleagues look to them to decipher the ins and outs of financial markets as well as ensuring that financial operation runs smoothly and efficiently. Clearly, at a time of deficit spending, these decisions need to be able to withstand scrutiny and challenge.

To an extent the financial crisis has helped focus attention on finance and treasury managers and their need to acquire and maintain the necessary skills and knowledge to address these issues. These skills will be severely challenged in an environment where opinion polls regularly uncover negative public attitudes to the provision and cost of public services – despite the increases in spending over the past few years.

Indeed, in poll findings presented to the conference by Ipsos MORI, even public sector workers have a negative view of publicly provided and funded services.

The new watchword for those managing public finances is therefore transparency. Central government intends to publish details of almost all spending and will no doubt be encouraging local government to follow suit. While most



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are in favour of such a move – particularly those with a governance or taxpayer-centred affiliation – there are some who feel it could lead to an information overload.

In addition, there are some who feel that the private sector must give up confidentiality when dealing with public sector contracts. The key message would seem to be that modern technology has provided a capacity for the dissemination of financial information; the question will be whether it is analysed and treated correctly. At its best, this scrutiny ensures that executives are held accountable for their decisions, that their decision-making process is clear and accessible to the public, and that there are opportunities for the public and their representatives to influence and improve public policy.

In the public sector much of the work on establishing effective process overview has been developed by the Centre for Public Scrutiny. The CfPS was set up by the Improvement and Development Agency for Local Government. It was subsequently incorporated as a separate not-for-profit company in 2003 by the Local Government Association, CIPFA and the Democratic Health Network of the Local Government Information Unit, and became a registered charity in 2010. Its aims – which could be usefully adapted to treasury management in all areas of economic activity – are to provide “critical friend” challenge to executive policy-makers and decision-makers (by means of a review), and to articulate the voice and concerns of the public and its communities. The review is carried out by “independent-minded governors”, who lead and own the scrutiny process, and is intended to drive improvement in public services.

Another key management skill widely discussed at the conference was leadership. A number of speakers emphasised the importance of planning, direction, policy and a range of other features, which, when combined, will provide both the public and public sector staff with clarity of purpose and structure. In the current climate the definition of a balance of action between reduced spending and service provision will require all these skills. Treasurers and finance managers know that their role is to provide the strategic financial analysis on which these decisions will be based.

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