The Governance of Complexity

CfPS National Scrutiny Conference
Wednesday 6 December 2017

Andrew Burns, CIPFA President
(Director of Finance & Resources, Staffordshire County Council)
A National Perspective

- CIPFA Advert - Good Governance Framework
- Financial challenges for councils and other public service organisations – current and future
- Increasing organisational and financial complexity
- The importance of good financial scrutiny and where scrutiny can best add value;
- Key ways in which scrutiny can work effectively with executives around financial complexity.
Why good governance matters

- Confidence and public trust are essential
  - Rising public expectations
  - Increased branding of failures as ‘governance’ failures

- Tough decisions are being made
  - Quality of decision making
  - Openness and accountability
  - Greater pressures on Boards & those charged with good governance

- The landscape is changing
  - Devolution
  - Collaboration
  - Changing and challenging levels of scrutiny and oversight
  - Complex accountability arrangements
  - Alternative models of service delivery
CIPFA Good Governance Framework (2016)

- Up to date with latest thinking on governance

- The framework assists local authorities in developing and modernising own local code of governance/governance arrangements and in establishing governance arrangements for collaborative working (alternative delivery vehicles, partnerships etc.)

- Principles include:
  - Behaving with integrity
  - Ensuring openness
  - Comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - Managing outcomes
  - Developing capacity
Achieving the Intended Outcomes While Acting in the Public Interest at all Times

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

E. Developing 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
Financial challenges

- Medium term financial planning and sustainability - managing balance sheets and capital investment programmes as well as revenue budgets.

- Better alignment and collaboration between local public services - integrated reporting, focusing on the value created by public services not just on financial outcomes.

- Reducing the need and demand for public services.

- A new relationship between citizens, the state (national and local) and business

- Unlocking community capacity and stepping away when we are not needed
Chancellors Budget 2017

- Overall state of the public finances with 1.5% pa GDP growth for next five years
- The end of austerity (rhetoric?)
- Capital investment v. Revenue spending
- Housing
- Industrial strategy
- Public sector pay
- NHS (and STPs and ACOs)
- Silence on Social Care (Green Paper 2018)
- Schools funding
Leadership in a VuCa World

Volatile, Uncertain, Complex, Ambiguous

Market Leaders Disrupted
Average Lifespan: S&P 500 Co.
Age of Convergence: Generational Shifts at Work

Mindset/Skills to Thrive in a VuCa World

Develop an Adaptive Mindset
Weave Ecosystems for Human Engagement
Be an Agile Learner
Develop People

Have a Vision
Anticipate & Create Change
Network & Collaborate

Embrace Abundance Mindset
Be Self Aware
Relentlessly Focus on Customer

Design for the Future
Constantly Clarify & Communicate

Tanmay Vora
@tnvora | QAAspire.com
Total Staffordshire & Stoke-on-Trent Public Expenditure

£7.4bn

- £1,996m National Health Service
  - £390m Academies
  - £285m Staff-on-Trent CCG
  - £358m North Staffordshire CCG
  - £358m University Hospital of North Midlands NHS Trust
  - £285m South East & Seisdon Peninsula CCG
  - £187 m Stafford & Surrounds CCG
  - £187 m Cannock CCG

- £1,1765m Other Benefits
  - £1,765m State Pension
  - £895m Other Benefits

- £2,683m Department for Works & Pensions
  - £1,279m Staffordshire County Council
  - £417m Districts

- £332m Families & Communities
  - £720m Police
  - £167m Fire

- £720m Public Health & Adult Social Care
  - £183m Jobs
  - £183m Children & Families
  - £101m Place, Growth & Prosperity
  - £85m Schools
  - £99m Benefit Payments
  - £91m City Director, Civic & Corporate Expenses, Non Department Costs
  - £24m Housing, HRA Reversal of Revaluation Loss and Customer Service (£15m)

- £157m Staffordshire Moorlands District Council
- £43m South Staffs Council
- £43m South Staffs & Shropshire Healthcare Trust
- £83m Burton Hospitals Trust
- £19m North Staffs Combined Trust
- £19m North Staffs Combined Trust
- £1m Cannock CCG

Assumptions:
- NHS expenditure excludes service transferred from Cannock Hospital to the Royal Wolverhampton NHS Trust
Financial Scrutiny: beyond revenue budget consultation....

- Commercialisation agenda, property and investments

- Prudential Code, Treasury Management, Capital Strategy and Investment Regulations - Consultations

- Governance issues – CFOs/CEOs/Members (speaking truth to power)

- Fair Funding Review & 100% Business Rates localisation

- Local Authorities Financial Resilience
Good and Balanced Budget

**Good budget** means:

- Medium term focus, supporting Strategic/Corporate Business Plan
- Resources focused on priority outcomes
- Not driven by short term fixes
- Demonstrates how we have listened to good consultation
- Transparent and well scrutinised
- Integrated with capital programme
- Maintains financial resilience and stability
- Risk based assessment of reserves

**Balanced budget** means:

- Income equals expenditure
- Savings targets and investment proposals are credible and achievable
- Key assumptions are ‘stress tested’
Lessons from CIPFA Local Authority Financial Resilience Reviews

▪ Adults and Children’s is an ‘amber alert’
▪ “Non – Buoyancy’ of income is an ‘amber alert’

▪ Rapidly Declining Reserves
▪ History of unplanned overspending
▪ Optimism Bias/Poor Planning in savings
▪ “Shortened” Medium Term Focus
▪ Lack of strategic service planning
Thoughts on future scrutiny....

- Diversity - different perspectives, better questions, richer discussions lead to better answers and performance

- Skills and capability gap – digital skills, predictive data analytics, community engagement, story-telling and psychology

- Challenge to traditional roles – member, officers, partners, citizens, business and partner

- Local Public Accounts Committees
New models and styles of leadership

- Leading systems and places, not organisations
- “Dispersed” leadership
- Authenticity and engagement
- Holding volatility, uncertainty, complexity and ambiguity
- Continuous professional and personal development

Collaboration, Collaboration, Collaboration……
......with partners, businesses and citizens
21st CENTURY COUNCILLOR
Don’t forget Nolan!
Committee on Standards in Public Life (1995) – 7 Principles

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership
What keeps me awake at night?

- Maintaining Financial Grip whilst Investing in Transformation
- Health and Social Care Integration
- Growing Income and Reducing Demand
- Managing our Balance Sheet and Commercial Investments
- External Opportunities and Threats (e.g. Brexit, Devo, Digital...)

Openness, Transparency, Accountability, Scrutiny and Good Governance = KEY!
For more info.....

Andrew Burns

Tel: +44 (0)1785 276300
Mobile: +44 (0) 7875 004268

andrew.burns@staffordshire.gov.uk

twitter: @CFOstaffscc