

## after the manifesto - delivering the plan

Leadership

We need a plan

Early action

Equity and transparency

Political/managerial accountability

Get people engaged

Protect people - not organisations

Big team effort

Manage risk

Essential change

Simplify

Long term fiscal discipline



# who'd be prime minister?

One thing we all agree about: the new UK Government is facing daunting and unprecedented challenges.

After the global financial crisis and the prolonged recession, the economy is still in intensive care. The public finances are in a parlous state and significant and unpalatable actions will be required over a sustained period to tackle the structural deficit and to restore order and balance.

Meantime markets and rating agencies stand on the sidelines ready to react to any hint of weakness or lack of resolve.

As someone observed during the election campaign, "We don't need a Prime Minister, we need a Super Hero!"

## Where to start?

So what are the actions which the new Government needs to take to begin to address these formidable challenges?

This booklet sets out the key steps which CIPFA believes are the critical building blocks of an effective strategy. In doing so it draws on three other publications:

- *The CIPFA Manifesto* published in June 2009
- *After the Downturn* published jointly with SOLACE in Dec 2009
- *Leadership in Hard Times* published in June 2010.

All are available at [www.cipfa.org.uk/afterthemanifesto](http://www.cipfa.org.uk/afterthemanifesto).

# What needs to happen now?

We need:

1. Leadership
2. A recovery plan
3. Early action
4. Transparency and equity
5. Clarity about political and managerial accountability
6. Get people engaged
7. Protect people not services or organisations
8. Big team effort
9. Manage risk
10. Essential change not change for change's sake
11. Simplify not complicate
12. Long term fiscal discipline

# what needs to happen now?

## 1 We need leadership

Government must provide leadership. It must demonstrate determination and resolve to confront the big challenges, make the tough choices and ensure that they are executed successfully.

Leadership means being clear about direction and priorities. It sets the tone and invests authority and responsibility for decision making and action. It is also about empowering others and trusting their judgement, recognising what must be determined at the centre to establish a coherent strategic framework, and what is best left to others to decide more locally.

## 2 We need a plan

One of the most tangible ways in which Government can exercise leadership is by the development and publication of a plan for recovery.

To be credible it must be as complete and detailed as possible. It must set out the scale of the structural deficit; the full period over which it is to be tackled; and the nature, scale and timing of proposed spending cuts and tax increases.

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*We need to see  
a complete picture*

There should be clarity about those parts of the plan which are fully developed and approved, and therefore ready for implementation, and those which are more tentative – still in the design phase – and more open to discussion and influence. Later years will inevitably be subject to greater uncertainty and potential change than early years.

The plan must include clear targets and review points at which progress will be assessed and refinements agreed. There should also be a clear statement of objectives and outcomes.

The period of recovery may well be longer than a single Parliament. However, that should not be used as an excuse to justify publication of a partial plan. We need to see a complete picture, spanning whatever period is envisaged to restore the public finances to balance. This will help to facilitate fully informed debate, comment and reaction, whether it be from Parliament, the public or markets.

### **3 We need early action**

Government must act early. This does not necessarily mean making deep spending cuts in the current year. Some of the earliest actions may need to be preparatory, enabling steps in relation to significant spending or taxation changes in years three, four or later. Many of the more ambitious medium and long term initiatives will require urgent early actions to plan appropriately and prepare the ground.

#### 4 We need transparency and equity

Public trust in politicians is at a low ebb. In responding to the current challenges Government must try to rebuild confidence. Fairness and equity are key, as are openness and transparency. The public need to feel that the Government is committed to developing policies which will impact fairly across society; and that they have access to full, reliable information and that nothing is being hidden.

A detailed recovery plan will help enormously, especially if the emphasis is on clear factual presentation, avoiding imprecise and sometimes euphemistic labels such as 'efficiency gains', 'waste' or 'cuts'. However, we need to go further and to publish audited Whole of Government Accounts – fully consolidated financial statements, based on international financial reporting standards, for the whole public sector – with clear summary information on long term fiscal sustainability.

This will provide a basis for better informed commentary and debate on the UK's financial health, and better informed judgements about the sustainability of both current and planned levels of public expenditure and taxation.

*fairness and  
equity are key*

*we need to debunk the myth that  
Ministers run departments*

## **5 We need to be clear about political and managerial accountability**

Government is clearly accountable for the overall delivery and success of its recovery plan. But Government cannot micromanage every action required to implement the plan successfully across the country. There is a point at which the high level accountability of politicians for policy and strategy must interlock with the operational accountability of officials for management and delivery.

We need much more certainty about where that point is in UK public services. We need to de-bunk the mythology that Ministers “run Departments” and sharpen and clarify the responsibilities and accountability of Boards and Permanent Secretaries.

Clearer accountability will help to build greater trust and confidence. It is also fundamentally important in terms of creating the right conditions for robust, confident implementation of the recovery plan.

## **6 We need to get people engaged**

Implementation of the recovery plan will affect very large numbers of people. Keeping them informed about what is likely to happen is a good start. But we need to go much further and get them actively engaged and involved.

Significant reductions in public spending imply a different relationship between the State and the citizen. In turn this potentially places greater emphasis on three highly sensitive variables: the services provided, the people to whom they are available, and the way in which they are funded. We need to involve citizens in helping to find new balance points for expectation and affordability.

Many of the judgements about detailed implementation of the recovery plan will ultimately be taken a long way from Whitehall. In practice local councils, health trusts, police authorities and a host of other public agencies will take many of the decisions about how to ration limited resources between competing priorities.

We need to make sure that all of those more local bodies are engaging with and listening to citizens and users of services, involving them in a positive and constructive way in discussions about needs, priorities, ideas for improving efficiency, redesign of services, etc. We need to be clear that this is not a luxury option but an imperative for gaining a degree of support for very difficult and in some cases highly controversial decisions.

This philosophy should also be applied to the workforce. Staff too need to be well informed, engaged, listened to and made to feel involved in the development and consideration of policy options.

*engaging people is  
not a luxury option*

Public bodies must take responsibility for their ultimate decisions. But their choices are likely to be much better informed if local people and staff are able to contribute their ideas and perspectives to discussions. In turn, citizens, service users and staff are much more likely to understand and support the policy choices made if they have been given an opportunity to express their views and bring some influence to bear.

## 7 We need to protect people not services or organisations

The critical objective is to make sure that the most vulnerable members of society are appropriately supported. In that sense the challenge is about protecting people rather than services or the organisations providing them.

The commitment in relation to services should be to ensure that they are organised efficiently and effectively to enable the best possible response to the needs of people within the constraints of available resources.

Government should be cautious therefore in giving commitments to “protect” services or their budgets. Such assurances have consequences and also risk sending misleading messages. First and most obviously, a decision to favour the funding of one service will have implications for the extent of funding reductions required of other “unprotected” services. Secondly “protection” – maintaining the budget in real terms – may not guarantee the continuation of current service levels. That will

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depend upon a range of other factors including in particular the extent of financial and demand pressures facing organisations responsible for service delivery.

## **8 We need a big team effort**

Delivery of the recovery plan will depend upon the actions of very large numbers of agencies and even larger numbers of people. Their efforts need to be co-ordinated and aligned. Collective performance will be significantly more impressive if common purpose is emphasised and collaborative working is encouraged.

Morale and motivation matter too. They are important variables which will have a significant impact on performance. Government should set out to build as much consensus and support as possible – within Parliament, across the public sector, with partners in the private and third sectors, and with the public. It should set out to create a “big team” approach with as much emphasis as possible on carrot rather than stick to deliver the plan in the national interest.

## **9 We need to manage risk**

Not everything will go to plan. The nature and scale of the recovery plan will inevitably be such that there will be significant risks associated with some aspects of its delivery. Stuff will happen!

Both Government and all of the entities and individuals engaged in delivery of the plan must therefore focus systematically on risk and ensure that it is actively and professionally managed.

Failure to manage risk will damage confidence. Active, professional management of risk will enhance control and inspire confidence.

## 10 We need essential change not change for change's sake

Successful delivery of the recovery plan will require concerted action across the public sector. It will not be helped if key players in organisations are distracted by the “noise” of other less important issues.

Government must take some responsibility for creating the right conditions for concerted focus and unremitting action to execute the plan. It should ensure that its own actions – whether expressed through legislation, regulations, Ministerial announcements or other means – support the singular effort and do not stray into the realms of distraction.

Government must stay focused on the plan if it wants others to do so. It must exercise a strict self-denying ordinance in relation to other initiatives. It should focus on actions and changes which are essential for delivery of the plan. It must resist pressure or temptation – no matter how great - to sponsor non-essential change.

*Government must resist temptation  
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## 11 We need to simplify, not complicate

The public sector will change as the recovery plan is implemented. It is likely to become smaller as resources are constrained and its shape and structure will change, perhaps significantly.

Government should be particularly cautious about structural changes. They are expensive not only in terms of their direct costs but more especially in their power to distract.

Government should make every effort to ensure that structural changes are designed to last, and that they simplify rather than complicate our public services. As a general rule complexity costs money and serves the public interest poorly. The aim should be simple, well designed structures which are fit for their purpose.

This in turn raises a challenge for overall co-ordination of the recovery plan and the changes it inspires. Simplicity will not be achieved unless Departments and organisations speak to one another. They need to approach their work in a co-ordinated way, sharing plans and co-operating to engineer changes which are coherent in an overall sense and when viewed through the eyes of the public.

Overall leadership and co-ordination of the recovery plan – setting the tone at the top – will be critical in terms of securing these positive, joined-up outcomes.

## 12 We need long term fiscal discipline

Delivering the recovery plan will be a painful, exacting challenge. In executing it we must make every effort to ensure that lessons are learned and that mistakes are never repeated.

The recovery plan itself should impose a fiscal discipline on Government during the period of its implementation. But we also need a framework that maintains and assures that same discipline beyond the plan period when “normal service” has resumed.

The UK has its own recent experience of fiscal rules to learn from. It can also learn from the different approaches of other countries and the views and thinking of international institutions like the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF).

As well as determining the rules or principles which will populate a new framework for fiscal discipline, Government should also give explicit attention to how and by whom compliance will be measured, assessed and reported. A strong element of robust independent oversight, combined with a clear and rigorous framework, will inspire greater trust and confidence than an approach which is done by Government to Government with limited scrutiny.

*rigorous independent  
oversight will inspire trust*

## **About CIPFA**

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. With 14,000 members, we have people working throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.



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