

**16 September 2019****Agenda Item: 5****REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY  
(CIPFA) ANNUAL PUBLIC FINANCE CONFERENCE 2019****Purpose of the Report**

1. To report on the CIPFA Annual Public Finance Conference entitled 'Public Finance Live 2019' held in Birmingham.

**Information**

2. The CIPFA Public Finance Live 2019 Conference was held on 9th to 10th July 2019 at the International Convention Centre in Birmingham. The conference gathered together Public service leaders, politicians, Chief Finance Officers, auditors, and all those concerned with public finance and governance to tackle the key questions for government and public services in the decade ahead. The conference was attended by Councillor Richard Jackson, Councillor John Ogle and Mr Nigel Stevenson (Service Director – Finance, Infrastructure and Improvement). There was an opportunity this year to attend sessions at CIPFA Regeneration 2019, a CIPFA event that ran alongside which addressed the issues around public property and asset management.

3. ***Carolyn Williamson: CIPFA president and deputy chief executive & director of corporate resources, Hampshire County Council***

The main conference began with the new elected president of Cipfa welcoming everyone to the Conference and setting the tone for the event before handing chairing of the day's sessions to Chris Mason, political correspondent with the BBC.

Carolyn set out her 3 key priorities for her presidency year, namely;

- a) Diversity and inclusion
- b) Collaboration, and
- c) Championing our profession

4. ***Breaking the mould – Brexit Britain, a new political and economic landscape?***

Given the uncertainty of Brexit, the impending spending review and ongoing challenges to public services' financial sustainability this is likely to be a highly significant year for UK public

services. Who do people think government is actually working for? In an age of populism, driven by sharp divides in attitudes, geography, and economics, this session will reveal people's perceptions of winners and losers in society; who people think are doing better economically and who people think are doing worse, and the political implications of these assessments. The panel of political scientists, Matthew Goodwin, professor of politics, University of Kent, Grace Blakeley, economics commentator, and Professor Jane Green professor of political science and British politics, University of Oxford and Professorial Fellow, Nuffield College set out what policy-makers need to consider on how to bridge the gap between the realities of who government is working for and people's perceptions of who government is serving.

Jane began by showing the results of research into UK population perceptions which as expected demonstrated people's perceptions on issues such as migration and who is doing better economically both in terms of region and ethnicity were always higher than reality. Consequently, it is important that we have a better informed public and the need to find a messenger people will trust. Whilst Mathew set out 5 predictions, namely:

- i) Our Brexit attitudes are unlikely to change anytime soon
- ii) Brexit identities (leavers or remainers) will shape how we see the world around us in the short-term
- iii) British politics will stay European in style with more multi-party election results
- iv) Britain will become more socially but not necessarily economically liberal
- v) Labour will be the largest party

Grace completed the session surmising that Brexit is a process not a thing and warning that Conservatives may use Brexit as an opportunity for more free market approach to capitalism that would ultimately lead to more economic inequality.

## 5. Concurrent Sessions

A number of concurrent sessions were delivered:

### *a) How Public Services Succeed in Challenging Times and Public Services in 2019: performance and pressures*

The session began with Gareth Davies, the newly appointed Comptroller and Auditor General NAO sharing his perspective on the challenges facing public bodies operating under sustained financial pressure, drawing on the successes and difficulties he has observed during a career spent in public audit, and considered how financial reporting and auditing can successfully adapt to remain relevant and reliable in an era of diminishing public trust.

As a delay to the Spending Review looks increasingly likely, what are the biggest public service pressures facing the country? Which public services will dominate the new prime minister's in-tray? Drawing on data from the latest Institute for Government and CIPFA Performance Tracker, this session ended with an exploration of how key public services are performing – including prisons, hospitals, schools, police and children's social care. This session was delivered by Graham Atkins, senior researcher with the Institute for Government and Ryan Shorthouse, founder and chief executive, Bright Blue.

### *b) Delivering Incremental Business Process Innovation with the Oracle Local Government Cloud (Sponsored by Oracle)*

As the move from on-premise applications to cloud based services continues to gain momentum, we heard from two organisations – the London Borough of Lewisham and the

Home Office – that have migrated to the cloud for their financial operations. It is well documented that the transition from on-premise applications to the cloud should be faster and easier. However, with an integrated cloud Finance and HR platform in place, there is an incredible opportunity for continuous business process improvement. Both Selwyn Thompson from Lewisham and Kathy Thompson from the Home Office highlighted how each is taking advantage of cloud-based technologies to drive significant further value through their organisations. Examples include use of ‘digital assistants’ and chat bots, collaborative working, employee self-service and the delivery of customer services multiple locations. Cloud can support improvements in outcomes and reduce the administrative burden on staff, however, with the pace of change and technology disruption seen in the sector today, the trick is to deliver smaller, incremental wins at pace, on a sustainable platform.

**6. A number of additional concurrent workshop sessions were held over the lunchtime, including:**

*a) Innovative delivery models - social value and profit with a purpose*

How to generate financial return and social impact through alternative means of delivering services by focusing on the journey to setting up an alternative service delivery model, the organisational culture and corporate social responsibility.

*b) Finding buried treasure? Using the balance sheet to drive PFM*

This session provided an update on both international and UK initiatives to use government balances sheets as a key tool in Public Financial Management improvement, releasing previously untapped resources to improve public services.

*c) The Financial Management Code*

This session looked at the background and the development of the new code. From reflections on the input of those who helped shape the current version to practical comments on implementation and evidence.

**7. Concurrent Sessions**

A number of concurrent sessions were delivered:

*a) Robots and Risk- what could possibly go wrong? The revolution is here!*

Over the last few years, public bodies have enthusiastically embraced a new world of technological innovation. Predictive analytics, machine learning, Artificial Intelligence, the Internet of Things, robotics and big data- the 4th Industrial revolution-has become integral to the way public bodies deliver their services. And the momentum for digital transformation is growing. It's a fascinating glimpse into our future which will profoundly affect your organisation, your community and you. What could possibly go wrong!?

But alarm bells are ringing. From national newspapers flagging up the challenges of unethical bias to sensitive business models utterly dependent on technological solutions, the risks are growing. In this session John Thornton, executive director and David Forster, head of risk from Zurich Municipal argued that governance, accountability and the management of risk is failing to keep up with change. That the traditional ‘three lines of defence’ model isn't fit for purpose in this future and that senior managers, auditors and those charged with the governance of their organisations need to broaden their risk planning and skill sets to meet the new challenges.

*b) Enhancing finance*

As austerity continues to bite and many authorities find their finances increasingly stretched, maximising the capability of councils' finance teams and widening the range of tools available to them has become increasingly important. Innovation need not be innovative. Absorbing lessons learned elsewhere and adapting some proven financial management practices, structures, tools and models from overseas and the UK that have delivered benefits in both the private and public sectors, will help local authorities enhance their finances without taking undue risk or incurring significant costs. This session was delivered by Mike Jensen, director of investment, Lancashire County Council and Christian Wall, director, PFM Advisors UK.

*c) Markets - a catalyst for transforming neighbourhoods into thriving communities*

Since the early beginnings of society when markets were a place where you went to buy life's necessities, these vibrant centres of commerce have evolved and snaked into the hearts of every kind of community. Nowhere is the power of the market to bring people together and inspire community determination more plain than the world famous Borough Market in the aftermath of the London Bridge terror attack in 2017. Only 11 days after the atrocity, businesses were back up and running, with traders and customers alike quoted across the media saying 'We welcome everyone. We're going to go forward. Nothing's going to shut us down.' From Altrincham to Harrogate and nationwide, markets are increasingly seen as central to transforming places, promoting sustainable economies and binding communities together. In this session we heard from Darren Henaghan, managing director, Borough Market and Graham Wilson, chief executive, NABMA.

*d) Unlocking the potential- Realising the role of not-for-profits in public service delivery*

The charity and voluntary sector continues to be locked out of the delivery of public services. This trend is pronounced at a local level, where the tendering and procurement processes typically favour providers able to navigate complex commissioning systems, bid aggressively and carry financial risk. Set against a backdrop of austerity, how can authorities adopt an approach that recognises the significant knowledge, experience and expertise of the sector?

In this session, delivered by Caroline Howe, policy and national programmes manager, Lloyds Bank Foundation and Andy McCartan, commissioning services manager, Wirral Council we explored the changes needed to enable more authorities to access the untapped benefits of the charitable and voluntary sector, and examined what could be done differently.

## **8. Concurrent Sessions**

A number of concurrent sessions were delivered:

*a) Developing talent in your teams*

Great people are at the heart of great public service, so it is crucial that we are ambitious and innovative in our approach to cultivating talent. In this session we heard from Rebecca Richards, director, NHS Wales Finance Academy and Pete Gillett, executive director of commercial and financial services, Sussex Police and Surrey Police how these organisations had employed a collaborative and inclusive approach to allow staff across an entire country to learn and network across organisational boundaries.

*b) Financial Management and Commerciality in Districts – What next?*

A session for the Society of District Council Treasurers explored the challenges and opportunities faced by district councils, including approaches to financial management and commercial investments. This session will reflect on what districts have delivered over the last five years, and looked to examine what the future holds for these vital organisations.

*c) Delivering social value*

The pressure is on for public organisations to generate more revenue to compensate for over a decade of cuts. But with this turn towards commercialism, how do we deliver social value? How can we ensure our public sector ethos is not lost in the age of austerity?

The session began with Tony Deakin, group director resources and Adrian Johnson, commercial director, both from Cartrefi Conwy setting out how Creating Enterprise, a subsidiary of Cartrefi Conwy – a registered social landlord with more than 3,800 homes – has become a social enterprise with a £5.8m turnover. The project was born out of the need to create income streams to support growth while offering employment opportunities to unemployed tenants. Through exploring alternative methods of service delivery, Cartrefi Conwy has saved money, improved the quality of services and created new employment opportunities.

The second part of the session was delivered by Harvey Tilley, chief operating officer, Independent Living Fund Scotland. This organisation helps disabled people with complex levels of need in Scotland and Northern Ireland, helping them to live independently in their own communities. Their innovative co-design programme won the title of Community Engagement Project of the Year at the 2019 Public Finance Awards. We learnt how the team worked with young disabled people to co-design the application process for new government funding, guaranteeing accessibility and inclusivity in all parts of the process.

## **9. Delivering sustainable policy and social value**

As the threat of climate change and the depletion of resources has grown, sustainability issues are playing an increasingly significant role in public service investment and development decisions. We will increasingly see environmental, social and governance (ESG) criteria dominating decision making in public sector investment decisions and social value led commissioning. What policies and action do governments and in turn those managing the public finances need to be putting in place now to ensure a sustainable future and meet UN sustainable development goals? Day 1 concluded with presentations from Sony Kapoor, managing director, RE-DEFINE, and Professor Tim Lang, professor of food policy, City University, London.

## **10. Presidents Welcome: Carolyn Williamson**

Day 2 included a special conference stream that explored the economics of regeneration; the role of infrastructure in creating the right conditions for inclusive growth as a catalyst for change; planning, funding, managing and promoting the role of the UK's town, city and coastal centres. Both a main stream of the conference and a standalone event, Regeneration 2019 was aimed at public sector property professionals and regeneration experts and was a unique opportunity for the finance, funding and property professions to come together and make connections to explore the challenges of regeneration in the UK.

In a period of prolonged economic stagnation, with a blight affecting high streets up and down the UK, a desperate shortage of housing and an environment in the last chance saloon, the need for regeneration strategies to reverse these economic, social and physical declines have never been needed more. Critical to the success of regeneration strategies in post Brexit Britain will be the support government can provide businesses with in relation to a skilled workforce, economic incentives, integrated transport systems and connected technologies.

The main conference continued with the following sessions:

### **11. A reforming agenda – new policies for prosperous communities**

How can public services be delivered to ensure they address and develop key elements of a local agenda, including regeneration of our town centre and high streets? What are the resources required to secure the local powers and resources communities needed to deliver local economic plans and generate growth in the local economy?

This session included presentations from Chair: Emma Mackenzie, director, NewRiver REIT (UK) Limited and Rt Hon Hazel Blears, chair, Social Investment Business, and discussed the alternative use of empty retail space in town centres that requires partnerships between private, voluntary and local government bodies.

### **12. Concurrent Sessions**

A number of concurrent sessions were delivered:

#### *a) Developing local resilience*

The increased uncertainty, volatility and complexity under which local governments operate, coupled with recent shocks, starting with the 2008 financial crisis, but also including Brexit and the increasing influx of refugee migrants, have put great emphasis on governmental financial resilience. A recent study increased our understanding of local government financial resilience by presenting the results of a survey of local governments across Italy, the UK and Germany. Analysing the combination of internal and external resilience dimensions against the background of recent crises and across countries, the project not only shed light on different performance enabling capacities but also helped to achieve a greater understanding of how local governments maintain or build resilience.

David Phillips, associate director Institute for Fiscal Studies, and Professor Ileana Steccolini, professor of accounting, Essex Business School set out their understanding of the research and understanding of the limited options for alternative finance available to local/national government to improve the sustainability of local government services.

#### *b) Early intervention, prevention and investing for long-term benefits*

Early intervention works to prevent problems occurring in young people's lives, or to tackle them head-on before they get worse. Acting early to support children and families at risk of poor outcomes can help to build communities that are better-off, more resilient and more supportive places to grow up, and to generate a range of long-term economic benefits that significantly outweigh the costs.

Effective early intervention, supported by strategic investment and rigorous evaluation, has a crucial role to play in public services and support across a wide range of policy areas, including education and attainment, physical and mental health, family support, parenting, antisocial behaviour and youth justice. Early intervention is not a panacea for all of society's

problems, nor is it a financial coping strategy for local or national government. It is a vital way of providing children and young people with the skills they need to succeed in life, and of mitigating the negative impacts of poverty and other forms of disadvantage. We have understood the theoretical potential of early intervention for long enough. To realise its massive potential requires leadership, coordination, strategic planning and investment to identify, support and provide high-quality, evidence-based interventions and services.

In this session Duncan Selbie, chief executive, Public Health England, and Jo Casebourne, chief executive, Early Intervention Foundation set out what a long-term plan for sustainable, effective, life-changing early intervention looks like, at national and local level.

### **13. Ministerial Address**

The Rt Hon James Brokenshire MP echoed his speech provided to the previous week's LGA Conference when he stated that "I can't see a better future for this country that doesn't have local democracy at the heart of it". He stated that the Government remained committed to implementing the local government finance reforms, including increased business rates retention, incentives to authorities to help grow local businesses and a new approach to distributing funding. Unfortunately, due to the uncertainties of leadership at the time James was unable to provide any detail on the future funding of local government.

### **14. Concurrent Sessions**

A number of concurrent sessions were delivered:

*a) The future is here. Disruption is happening. How must finance react and evolve?*

Business model disruptors are changing the demands on finance. Finance as we know it is already changing, and will be radically different in the years to come. The sophistication of operating models, extreme automation and increasing focus on data and insights is kick-starting this finance revolution. In this rapidly changing environment, finance leaders need to focus on the implications for themselves and their teams.

This session, delivered by Asif Akhtar, head of finance transformation, KPMG, and Rob Shaw, finance director, Innovate UK explored the reinvention of finance, and the skillsets needed to support this transformation.

*b) Finance Transformation: How to tell the story of your numbers (Sponsored by insightsoftware)*

In the public sector, today, the role of finance is changing. It has become less about accounting and more about strategy, insight, and providing advice to other business areas. To stay one step ahead, modern CFOs are transforming their department from a report generating cost centre into a provider of strategic insight and an enabler of change – it's all about the narrative, telling the story of your numbers in way that is easily understood. During this session, Malcolm Hewlett, senior account executive Insight Software investigated how organisations have been successful (or not) at adapting to this new reality by reviewing the latest surveys and research, and by looking at industry case studies.

*c) Tackling fraud and corruption in government and public services*

Fraud is a blight on all areas of the public sector. The government estimates that between £31bn and £49bn of taxpayers' money is lost to fraud and error each year. So how do we identify and guard against risks in this area? This session explored these questions, looking at new research from a major MHCLG study into procurement fraud and corruption

in local government, and included further perspectives from the NHS Counter Fraud Authority and others across the public sector.

- d) Presentations from Laura Hough, head of research and development for counter fraud CIPFA, set out the work that has been undertaken from the anti-corruption strategy specifically in procurement. This was followed by a live example from Peter Lees and Mike Harrington from HMRC on their approach to tackling excise duty fraud across borders. And concluded with presentations from Oliver Stopnitzky, fraud prevention officer, and Davina Teeluck, senior fraud prevention officer, from the NHS Counter Fraud Authority on their approach from this new organisation in tackling procurement fraud across the NHS.

### **15. *Tackling McMafia and Co.***

The public sector has long been battling fraud and corruption, but the fight has opened up on several new fronts. Corrupt activity jeopardises public confidence and trust in institutions both at home and internationally. Increasingly online and organised, it has become a central focus for those charged with protecting our public finances. As financial systems change and evolve so do fraud threats and risks. For instance, as society becomes more reliant on digital technology, public services become more vulnerable to cyberattacks.

In this constantly shifting context, Misha Glenny, author and journalist, and Andrew Preston, Anti-Corruption Unit set out their thoughts on how we should encourage and develop good behaviours and ensure we are pursuing strategic actions that will keep services resilient, finances secure and retain public trust.

## **Statutory and Policy Implications**

- 16. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATIONS**

- 1) That Finance and Major Contracts Management Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to local government finance.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

**Nigel Stevenson**

**Service Director - Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact: Nigel Stevenson**



**Constitutional Comments (KK 19/08/2019)**

17. Finance & Major Contracts Management Committee is the appropriate body to consider this report.

**Financial Comments (NS 26/07/19)**

18. There are no financial implications arising from this report

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None