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What Should The Public Sector Prioritize Post-Crisis?

For senior managers, professional capacity over the past three months has undoubtedly been reoriented to respond to the Covid-19 pandemic. Understandably, this blunt shift to crisis-related work put many organizational plans, projects, and priorities for 2020 on hold. But as restrictions lift globally, the third and fourth quarters of 2020 look to be much more 'normal' than what we've experienced recently. Organizational plans and priorities for the remainder of 2020 will need to be selected strategically in the coming weeks and months to ensure value for money.

Government restrictions on business, travel, and movement have resulted in unprecedented declines in business activity. Globally, organizations have halted recruitment, postponed investments in projects, furloughed or laid-off employees, shifted to widespread remote working, and managed drastic shocks to supply and demand. Of course for the majority of businesses, increased volatility means greater exposure to risks. But it's not just the private sector navigating these pressures – it's the public sector too.

While it may not be true for each and every pre-pandemic priority, many organizational goals will re-emerge as our economies recover. With limited resources and lower risk appetites, public sector organizations should put any available funds toward projects that will stimulate long-term growth, efficiency, and stability. At CIPFA, we see projects focused on infrastructure, sustainable development, and audit as financial policy imperatives.

Infrastructure can be critical for attracting private investment in a particular region or city, and makes it easier to conduct business and deliver services. In the public sector, infrastructure projects can take the form of urban regeneration projects, housing or public facilities, new transport links, and low-carbon energy networks, to mention a few. These projects are critical because they help create an environment where economic and social activity can flourish. Although new infrastructure can be costly, the cost of finance today is extremely low, which in turn will result in better value for money for public organizations.

Despite the organizational will, public finance professionals know all too well it can be difficult to balance economic growth and the sustainability agenda. In the U.K. alone, over half of all local councils have declared a climate emergency – the same is true for many U.S. cities. While some programs have been paused due to the ongoing pandemic, climate change is still the world's biggest threat. The UN's Sustainable Development Goals (SDGs) are intended to serve as the primary blueprint for governments, addressing a range of social and economic issues, and we've seen some English councils set targets beyond the 2030 targets set by the UN. Prioritizing SDG-related projects in the second half of 2020 is more important than ever, and should be viewed as an investment – preventative spend that contributes to an efficient, secure, and stable future for our communities. Put frankly, until the conventional, one-dimensional approach to understanding investment returns is re-evaluated, sustainability projects will continue to occupy the back seat.

The second quarter of 2020 also saw unprecedented amounts of public money released from governments at breakneck pace. Stimulus funding for labor markets, personal protective equipment (PPE), business loans, and much more was made available by central governments, with many

diligence checks and audit controls conducted on a post-transaction basis. The UK government is already concerned about the state of audit and governance in the local public sector, as made evident by the launch of the Redmond Review in 2019.

The realities of the coronavirus response only complicate the current audit landscape. Given the complexities of auditing pandemic-related spending, particular attention and resources must be allocated to audit and the governance functions of government. This is a key public finance issue in the U.K., and one that is surely shared with governments around the world.

As the number Covid-19 cases wane and some sense of normality begins to return to our daily lives, projects and initiatives that fell by the wayside will become priorities once again. While public finance professionals cannot predict the future, we can ensure that financial resources are put to work in ways that are designed to minimize any further shocks that come our way.

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