

What about Financial Sustainability of Local Government! - A critical review of accountability, transparency and public assurance arrangements in England during austerity

Abstract

Austerity strained the financial sustainability of governments and ability of policy makers to address policy challenges, and so having appropriate accountability and transparency arrangements to assure the public they were getting value for money took on renewed urgency. Comparing and contrasting findings from a critical review of policy developments in English Local Government during the Conservative led coalition central government 2010-2015 with those from related studies on accountability and transparency more generally, the paper offers key themes for practitioners and policy makers seeking to build stronger democratic systems of governance that go well beyond the UK jurisdiction.

Key Words: Financial Sustainability, Accountability, Transparency, Local Government, England

Authors

Dr Laurence Ferry, Durham University Business School, Wolfson, Queens Campus, Thornaby, Stockton on Tees, Email: laurence.ferry@durham.ac.uk, Tel: +44 (0)191 334 0022 *

Mr Peter Murphy, Nottingham Business School, Newton Building, Burton Street, Nottingham, NG1 4BU

* Corresponding Author

Introduction

With austerity and increasing concerns around the financial sustainability of public services (NAO 2013, 2014), the importance of accountability and transparency arrangements being ‘fit for purpose’ to provide public assurance and ascertain value for money cannot be over-estimated. Nowhere is this more so than in central and local government relations where power and control is severely contended (Wildavsky 1964; Rhodes 1999; Wilson and Game 2011).

This paper is a descriptive review of legislative, policy and organisational developments of local government in England, where under a Conservative led Coalition central government from 2010-2015 the accountability and transparency arrangements were subject to significant change.

As the paper will demonstrate, in a developed democracy such as the UK, accountability through professional audit of performance as well as conformance cannot simply be replaced with transparency (Hood 2010; Pollitt and Hupe 2011). The study will also show however that this can change overtime and indeed is not necessarily the case for other jurisdictions (Goetz and Jenkins 2001; Samaratunge et al 2008; Estreller-More and Otero 2012). It therefore calls for more detailed research in comparative contexts.

The paper begins with a discussion of the literature on accountability and transparency and what this means for public management, before contextualising it to the local government in England. It suggests five themes that are globally relevant for policy makers and practitioners before drawing some generalised conclusions.

Accountability and Transparency

One question often raised is whether accountability and transparency are the same thing, support one another or can undermine one another (Meijer 2014). Hood (2010) refers to this as Siamese twins, matching parts and awkward couple. Before answering this question it is useful to determine, for the purposes of this paper, what is meant by the terms accountability and transparency.

Accountability is an obligation to provide an account to someone with a legitimate interest. It involves a counting of possessions and the classifying of information on the basis of norms and conventions. Its historic origins were therefore formalised through the practice of book keeping and the discipline of accounting (Bovens, Goodin and Schillemans 2014). For the public services in the UK, the formalisation of accountability was initially manifested through accounting as an assessment by an audit (financial conformance). More recently the accounting aspect of assessment has been further formalised through detailed performance management arrangements (operational performance) and ever expanding regulation (Bodies that perform assessment increasingly cover every aspect of accountability from health and safety to equality etc) (Power 1997). This expanding remit has been championed for strengthening accountability (Cambell-Smith 2008; Audit Commission 2009), but while it has had benefits there have also been negative effects (Downe et al. 2010; Martin et al. 2013). This includes being challenged on cost grounds and whether it provide overall value for money, not least by the Local Government Association in its evidence to the House of Commons Department for Communities and Local Government (DCLG) Select Committee when considering the future of audit and inspection (House of Commons 2011).

In contrast to accountability, transparency champions openness as a means to prevent abuses of power, which has had a strong influence on democratic governance (Bovens, Goodin and Schillemans 2014). Initially, transparency was formalised in the UK public services through an opening up of archives, making minutes publicly available, and unlocking meetings for public attendance. This was to make information, data and discussion more open, visible and free as part of transparency processes that support accountability. In recent decades, transparency in the UK and elsewhere has increased through the Freedom of Information Act and other initiatives and especially following the opportunities to share data and meetings online through the internet and e-government where there has been an exponential increase in data availability. For example, the transparency agenda in England requires certain public bodies such as local authorities to publish all transactions over £500 making them open to the full democratic scrutiny of the public. This increase in data availability has been championed as a cost effective means to afford a measure of accountability (DCLG 2011). Unfortunately it has also been challenged as simply generating data overload as the raw data still needs to be interpreted through an expert medium to become useful information.

With the terms defined, it is important to highlight that accountability and transparency can work differently both individually and together depending on the context. For example, in the United States of America (USA) citizens have not become the armchair auditors that was envisaged through transparency initiatives. This is because citizens did not have the time, money, expertise or inclination to do so. It therefore questions if transparency can be a substitute for accountability (Etzioni 2014). In the UK there has been similar criticisms of transparency as a substitute for accountability, and questioning on whether it is a suitable replacement for aspects of formalised audit (Eckersley, Ferry and Zakaria 2014; Ferry and

Eckersley 2015b). In addition, empirical research from Portugal has highlighted a failure to produce proper tools to compare government transparency practices (Cruz et al. 2016). However, there are international examples from China and India among others that show transparency can reinforce or even replace inadequate accountability mechanisms (Ferry and Eckersley 2015a).

Central and Local Government Relationships

In the context of austerity and fears around the financial sustainability of public services, in a democracy, the importance of accountability and transparency arrangements needs to be of central importance to the state and public.

With this in mind, politicians and public managers who wish to reform state institutions need to take account of the relationship between central and local government, and their relationship to the public, because they exert a significant influence on policy making (Moynihan 2008). For example, the nature of these relationships raises specific issues regarding centralisation and decentralisation, service determination, and funding arrangements. In addition, literature has highlighted various specific challenges of implementation around performance management in the public sector (van Dooren, Bouckaert and Halligan 2015), particularly with regard to sub-national tiers of government (Ashworth, Boyne and Delbridge 2009).

Over recent decades in order to facilitate accountability, various governments have brought in significant performance management frameworks and thereby accumulated more information about how sub-national levels of government are operating than at any point in the past.

However as governments have emphasized some aspects of performance management such as building measurement systems to acquire more performance data, they have also neglected wider organizational change that would facilitate the use of such information at the implementation level (Moynihan 2008; van Dooren, Bouckaert and Halligan 2015).

In the context of the UK, power and control has been an ongoing contestation in central and local government relations over service determination, performance management and funding arrangements (Rhodes 1999; Wilson and Game 2011). There has been a gradual centralisation of funding that has not abated since the poll tax (a local tax on housing) was axed in the early 1990's, and England has become the country with the most central control over local government funds of the major Western European Countries (Ferry, Eckersley and van Dooren 2015).

Since the early 1980s successive UK governments have also supplemented financial controls, through audit for financial conformance, with a range of centralised performance management frameworks that set out how local government should operate and what they should focus on (Seal 1999, 2003; Seal and Ball 2005, 2006, 2011). The performance of individual local authorities was then monitored against these frameworks through a comprehensive system of indicators and external audit and inspection, in order to try and create a "golden thread" that linked ministerial objectives and pronouncements with the administration of policy at the local level (Micheli and Neely 2010). These initiatives sought to facilitate the continuous improvement of public services and assessed this improvement through the "economy, efficiency and effectiveness" with which local authorities delivered services – and these value for money objectives were reflected in performance frameworks and indicators (Hopwood 1984).

In contrast, since 2010 the Conservative led Coalition Government has embraced a policy of ‘austerity localism’ (Lowndes and Pratchett 2012), and undertaken governing and budgeting for deficit reduction through changes to the spending review, budget, and audit and accountability arrangements (Ferry and Eckersley 2011, 2012, 2015b). For example, reforms such as the Localism Act 2011 have given local authorities greater autonomy over spending decisions but not local revenue generation. Other changes have seen the abolition of the Audit Commission, which previously co-ordinated and delivered external audit, inspection and national reports on locally delivered public services in the UK (Timmins and Gash 2014), and the abandonment of performance management frameworks and performance audit that has meant that since 2010 local authorities are less focussed on service outputs and outcomes than was previously the case (NAO 2014).

The Local Audit and Accountability Act 2014 confirmed that future local authority audits would be overseen centrally by the NAO, focus solely on financial management, and have no performance assessment (Ellwood 2014). This, together with the prevailing austerity, made *‘financial conformance’* rather than *‘operational performance’* the overriding focus, for both central and local government (NAO 2014b) and ostensibly weakened local accountability because it obscured the potential impact of austerity cuts (Ferry and Eckersley 2015b).

The NAO have recently demonstrated how ‘changes in public service provision have increased the risk of provider failure’ (NAO 2015 p. 9) and the accountability deficit for performance at an *‘individual’* local authority level is only partially addressed through the NAO (2014a) value for money report on ‘financial sustainability’. The ‘lack’ or inadequacy of performance information currently available also makes assessing the value for money

aspects of financial sustainability a challenge. The NAO's obligation is essentially reduced to highlighting the risks that certain local authorities may not be able to set a balanced budget or fulfil statutory duties. The key messages of its 2014 local government report include:-

“There is little evidence of the extent to which local authorities have made savings through efficiencies rather than service reductions. Other than data on children's and adult social care, there are almost no data on local authority outputs and activities. Assessing how far savings have impacted on service users for most service areas, based on comparable national data is not possible for the most part” (NAO 2014b p. 9).

Essentially, the NAO suggest that the new accountability and audit arrangements let us know if the DCLG and local authorities are spending within budget, but not what value the public are getting for their money.

In addition, in a wider sense, the diversification of delivery mechanisms, which are also being encouraged by the coalition government, has created much more complex accountability relationships (Shaoul, Stafford and Stapleton 2012; NAO 2013, 2015), and local authorities recognise that their traditional organisational remit and funding arrangements also have to change thus altering the risk profile of authorities (Ferry, Coombs and Eckersley in press).

To make up for the diminution in accountability arrangements, the transparency agenda led to ministerial claims that an army of 'armchair auditors' would fill the accountability void created by the closure of the Audit Commission and the abandonment of performance audit (DCLG 2010b, 2011), but this has demonstrably failed to materialise with the result that local

authorities are not comprehensively or robustly assessed on the quality of service outputs and outcomes (Eckersley, Ferry and Zakaria 2014). This combined with austerity has reinforced the principle that holding down input costs through an over-riding focus on budgetary stewardship is the pre-dominant managerial objective within local authorities, and this means that there is reduced scope for officers to innovate or try new ideas (Ferry, Coombs and Eckersley in press). In effect, the transparency agenda in England forms a mere apologia and is an inadequate substitute for the level and sophistication of accountability that can be afforded by independent professional auditors assessing performance (Ferry, Eckersley and Zakaria 2015). However, it is important to caution here that this need not always be the case as context, culture and politics can play a role alongside other contingent variables (; Ospina, Grau and Zaltsman 2004; Molnar 2008; Hood 2010; Willems and van Dooren 2012; So 2014; Ferry and Eckersley 2015a).

Although the public do not appear to be ready to embrace the auditor role (Etzioni 2014), policy contestation is being influenced and in some cases changed through social movements, political protests, citizen participation and other bottom up grassroots initiatives (Ball and Seal 2005), especially under the recent austerity localism that led to various co-option strategies (Ahrens and Ferry 2015).

In England, over the last five years, it is contended that the accountability arrangements have diminished and not been adequately replaced by transparency initiatives. Research from elsewhere however suggests that over the longer term some performance information use will be re-introduced as financial stress eases and the focus once again shifts back to value for money and not merely cutback management (Wildavsky 1975; Moynihan 2008; Raudla, Savi, and Liedemann 2013). This is very important and a number of themes can be set out for

critical reflection by global policy makers and practitioners alike. This may contribute to a broader debate on accountability and transparency which are particularly important pillars underpinning our democratic system of governance, but are also important to jurisdictions with other forms of governance. Five themes from our study will now be set out, to be followed by some generalised conclusions.

Five Themes from Local Government in England

Theme 1 – Transparency may not adequately replace accountability

For English local government the accountability and transparency arrangements are now part of a more complex organisational landscape wherein it is contended that accountability has been reduced and not adequately replaced by increased transparency.

For example, in terms of accountability the emphasis is now firmly on financial conformance and Sector Led Improvement (SLI) by local government themselves (House of Commons 2011). Value for money capability has been significantly reduced following abolition of the Audit Commission and decommissioning of corporate performance management arrangements. Policy makers must decide if they need to strengthen accountability particularly when austerity recedes and the focus on cutback management becomes less paramount and gives way to a revised interest in value for money.

Local authorities are established in statute, responsible to their electorate for the spending decisions they make, and have responsibilities mainly covered by a framework of legal duties

which set out what they must do and set checks and balances on their actions. These duties include the role of officers and councillors, and accountability to the public.

Local authorities are also subject to strict financial controls and accountable to the public. The principal local checks on regularity and propriety cover clarity about who is responsible for resources, a set of financial duties and rules that require prudence in spending, internal checks that the rules are being followed, and external checks by an independent auditor.

Audit arrangements are now subject to the Local Audit and Accountability Act 2014, which repealed the Audit Commission Act 1998 and reformed the processes for performance and financial audit of local government. These reforms included abolishing the Audit Commission (which closed on the 31st March 2015) and transferring a number of its responsibilities to other organisations, including the NAO. In the place of the Audit Commission, there is a new framework for local public audit, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body Public Sector Audit Appointments Limited (PSAA) will oversee the contracts in the intervening period. The NAO will produce the code of practice and supporting guidelines for local authorities, as well as enhance its existing value for money studies by conducting a small number of reports into local public service delivery.

Once the transitional audit arrangements come to an end, local public sector bodies will have the power to appoint their own auditors, although local bodies can collaborate and continue to procure audit at a collective or national level (Timmins and Gash 2014).

The changes to the audit arrangements require local authorities to adjust to dealing with a wider range of organisations than at present including the PSAA, NAO, Cabinet Office and DCLG. Local authorities will have to liaise with government departments, regulators and auditors about various issues previously dealt with or coordinated by the Audit Commission.

The Local Audit and Accountability Act 2014 does not provide for the national collation and reporting of the results of local audits, although PSAA will publish information on the results of auditors' work with local government bodies until current contracts come to an end. After that, there has been no clear or specific commitment to produce reports setting out the big picture across local government or health services.

In short, the new arrangements for local audit break up the old regulatory framework. The NAO, Financial Reporting Council, Recognised Supervisory Bodies, local auditor panels and audit firms will all have parts to play in the new landscape. This creates a number of uncertainties about how local appointment and oversight of auditors will work.

In terms of performance management, the coalition government has dismantled much of the performance management framework for local government, replacing centrally driven performance reporting and data requirements in favour of sector self-regulation, transparency and local accountability.

Following the abolition of national performance frameworks, local authorities and the LGA introduced a SLI approach to improvement (House of Commons 2011; LGA 2011; Timmins and Gash 2014). This is based on four underlying principles: Local authorities are responsible for their own performance; local authorities should be accountable locally not nationally;

there is a sense of collective responsibility for the performance of the sector as a whole; and the role of the LGA is to provide tools and support (LGA 2011, 2014, 2015).

The LGA offers a range of practical support to encourage and enable local authorities to exploit the opportunities that this approach to improvement provides. This includes support of a corporate nature such as leadership programmes, peer challenge, a benchmarking service (LG Inform), as well as programmes tailored to specific sectors – such as children's, adults, health, care, financial, culture, tourism, sport and planning services.

With regards to transparency, the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 introduced (marginally) greater transparency and access to local authority meetings.

In addition, the *Local Government Transparency Code*, which has been updated twice since its introduction (DCLG 2015), lists a range of datasets that local authorities must make available to the public. These include publication of annual accounts and each line of spending worth over £500. It also comprises senior employee salaries, councillor allowances and expenses, copies of contracts and tenders, and grants to the voluntary and social enterprise sectors. Furthermore, it includes policies, performance and external audit, and covers key inspections although there are no longer any external corporate inspections.

The Code does not replace or supersede the existing legal framework for access to and re-use of public sector information. This framework is set out in the Freedom of Information Act 2000, Environmental Information Regulations 2004, re-use of Public Sector Information Regulations 2005, Infrastructure for Spatial Information in the European Community

Regulations 2009, and Section 15 of the Audit Commission Act 1998 that provides a right for individuals to inspect a local authority's accounting records and supporting documentation, and to make copies of them, for a limited period each year.

Theme 2 – Loss of formal information and interrogation capacity has not been replaced by informal arrangements

Information and its Interrogation have both suffered a significant loss of capacity partially due to the abolition of the Audit Commission and the dismantling of performance management arrangements.

The army of 'armchair auditors' envisioned by the government (DCLG 2010b), have not materialised to fill the accountability deficit (Ferry and Eckersley 2015b). Practitioners have to understand the significant challenges this creates in being able to ascertain what programmes to undertake and determine which are providing value for money. The diminishing evidence base leaves things more open to opinion and politics. Citizens may therefore judge on a diverse range of things, and there is relatively less independent evidence to refute or support such judgments.

DCLG's local authority statistics and CIPFA's financial and performance databases allow for investigation and analysis of expenditure and performance information, although the latter is only available to subscribers.

However, the collection, analysis, availability, transparency and interrogation of these data and other local authority statistics has become increasingly difficult since 2010. This largely

results from the loss of the Audit Commission's operational research and evaluation capacity. For example the Audit Commission produced numerous reports on local government, value for money and improvement between 1983 and 2010, and a more limited range between 2010 and 2015. This follows on from the earlier closure of the 'Improvement and Development Agency (IDeA)' for local government. In addition, there has been a significant reduction in DCLG's internal research and evaluation capacity, as well as that of external bodies. Although ministers argued initially that volunteer 'armchair auditors' would step into the gap created by the Audit Commission's abolition, and analyse the data published under transparency requirements, this has not proved to be the case. Even if this army of volunteer researchers had emerged, they would be unable to draw meaningful conclusions and recommendations from the raw data that has become available (House of Commons Public Accounts Committee 2015).

The loss of capacity has only been partially compensated for by the development of operational research capacity and capability at the NAO. Historically there has been some independent academic research capacity in the management of local authorities. However, as evidenced in the proceedings and minutes of the Public Administration Committee of the Joint Universities Council, public management academic research and teaching in general, has been under pressure and significantly declining over the past five years as reductions in public expenditure and increases in tuition fees in England have knock on effects in terms of enrolments and appointments.

Theme 3 – Austerity and cutback management will challenge governance relationships

During the recent sustained period of austerity in England, the theory and practice of cutback management has been adopted. These new arrangements coupled with localism for English local government (Lowndes and Pratchet 2012) have provided a significant challenge for practitioners in the governance of their local authorities, leadership of services, and strategic alignment of plans and delivery especially those involving multiple partners.

Practitioners must therefore understand these pressures and manage the risks associated with cutback management, but also make provision for governance, leadership and strategic alignment for the future when austerity recedes and value for money becomes more paramount.

To assist good governance, CIPFA and the Society of Local Authority Chief Executives (SOLACE) issued *Delivering Good Governance in Local Government: Framework and Accompanying Guidance Note* in 2007, which was updated in 2012 through an addendum and revisions.

Good governance is important to all involved in local government and maintaining and improving governance is a key responsibility of the Leader of the Council and the Head of Paid Service (Chief Executive Officer or their equivalent). There are also designated statutory roles and responsibilities for a local authority's Chief Executive Officer, Chief Financial Officer and the Monitoring Officer. The local authority is legally obliged to maintain a balanced budget and the Chief Financial Officer discharges this statutory function. Additionally, there are statutory requirements associated with the roles and responsibilities of

the Director of Children's Services and the Director of Adult Services. There is also a responsibility on all members of the leadership team, full council or authority, and those responsible for monitoring and providing assurance on governance arrangements for ensuring strategic alignment.

With regards to strategic alignment, DCLG awarded the CIPFA/SOLACE Framework 'proper practices' status through non-statutory guidance. As a result, local authorities must prepare and publish an annual governance statement to accompany the statement of accounts in order to meet a statutory requirement set out in Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. This regulation requires local authorities to prepare a statement of internal control in accordance with the Framework's 'proper practices' for developing and maintaining a local code of governance and for discharging accountability for the proper conduct of public business. These statements follow a standardised template set out in the framework, in which local authorities make their practices and structures open and explicit, and map them against agreed best practice. This helps to ensure that governance practices are strategically aligned.

Good governance enables a local authority's leadership to pursue its vision effectively, and also underpins that vision with control and the management of risk for strategic alignment. However, that strategic alignment is under pressure, because local government has been undergoing significant change in an increasingly complex environment. In addition to economic and financial sustainability challenges, the Localism Act and other legislation has brought new roles, opportunities and greater flexibility. Furthermore, local authorities have been changing their models of service delivery for some time (Alford and O'Flynn 2012);

local public services are now delivered directly, through partnerships, collaboration, and commissioning, and by combined authorities. The introduction of new structures and ways of working provide challenges for strategic alignment in managing risk, ensuring transparency, and demonstrating accountability (Shaoul, Stafford and Stapleton 2012).

Theme 4 – A reduction in performance information is constraining public reporting, scrutiny and public assurance

The changes to performance management information in particular has meant that reporting is more partial, scrutiny has become more variable, structures have changed, and quality assurance is receding with the demise of professionalised performance audit. Public assurance of value for money is therefore more difficult to establish.

Intervention is still available via SLI (Bennett et al. 2014), but practitioners are implicitly expected to ensure arrangements are in place to mitigate the reporting and scrutiny shortfalls and work with the wider local government community to support the SLI regime.

Local authority financial reporting to central government now focuses solely on financial information. The reports are based on the statutory requirement for local authorities to ensure accountability and transparency for financial stewardship, which is set out in the Local Government Act 1972. A single individual, the Section 151 Officer (who is often the finance director, and must be a qualified accountant), is personally responsible for producing a balanced revenue budget every year. The Local Government Act 2003 makes a balanced budget a requirement and the Section 151 officer has to report on the robustness of estimates and adequacy of reserves. These budgets and reports are then subject to a financial audit.

Since 2010 there has been no statutory requirement for local authorities to produce performance reports for central government, although a small and diminishing minority of authorities still publish them for local accountability purposes. In addition, other central government departments sometimes attach specific conditions to individual funding streams or grants that require local authorities to report back on how the money was spent.

Internal ‘overview and scrutiny’ committees were established by the Local Government Act 2000. They were intended as a counterbalance to the new executive structures created by that Act, which required all large local authorities to introduce either elected mayors or a leader and cabinet system. The role of these committees was to develop and review policy and make recommendations to the council. Following the Localism Act 2011, councils with executive governance arrangements are only required to have one overview and scrutiny committee that is independent of the executive. The Act also permitted councils to revert to the previous committee system if they so wished – in which case they can operate overview and scrutiny committees if they choose, but are no longer required to do so.

Some inter-agency and collaborative working with other local public services is also ‘horizontally’ scrutinised to a degree in Local Resilience Forums, Health and Wellbeing Boards, and Community Safety Partnerships. In terms of expenditure and budgeting, services can also use CIPFA’s interactive financial database and interrogative tools to benchmark with other bodies.

Local authorities also manage processes of ‘external scrutiny’, in that their committees look at issues which lie outside the council’s responsibilities. For example specific powers exist to

scrutinise health bodies, crime and disorder partnerships, Police and Crime Commissioners, and flood risk management authorities. In the context of growing multiple collaborative arrangements and proposals for further devolution of powers to local government, the Centre for Public Scrutiny has recently proposed the creation of Local Public Accounts Committees to scrutinise the whole range of public spending within a given area (Centre for Public Scrutiny 2015a) as a response to this widening gap.

In terms of the health sector, the Department of Health has prepared guidance to help local government and their partners scrutinise these services more effectively. However, because local authorities commission or provide public health services of their own, as well as commission or provide health services to the National Health Service (NHS), they are themselves within the scope of health scrutiny legislation. In other words, local authorities maybe both scrutineer and scrutinee of health services.

Many local authorities have separate staff and financial resources for overview and scrutiny committees, although annual surveys conducted by the Centre for Public Scrutiny indicate constantly diminishing resources over the last eight years (Centre for Public Scrutiny 2015b). The Centre has recently called on local authorities to ‘up their game’ in respect of scrutiny following the scandals associated with children’s services in Rotherham (Centre for Public Scrutiny 2014), and a recent report highlighting concerns from officers and councillors that they no longer provide sufficient interrogation (Grant Thornton 2015).

Ultimately, local authorities that fail to deliver for their local communities can be voted out by their electorate. However, there are a number of external systems in place for intervention should they fail to fulfil their functions in terms of the maintenance of regularity, propriety

and value for money. In cases affecting an individual for example, the Local Government Ombudsman provides an independent route of complaint and redress. For service specific failure, such as in children's services, the relevant government department has in some cases put in place specific failure and improvement regimes. In terms of the overall corporate performance of a local authority, the LGA is co-ordinating the local government sector in providing peer support to local authorities (LGA 2014). As a last resort, central government still has powers to investigate and intervene through the Local Government Acts of 1999 and 2003.

The LGA has a systematic approach to 'identify' local authorities that could benefit from 'preventative improvement support'. This is based on published financial and service delivery data from inspectorates and regulators, data and informal information from peer challenge, and 'informal conversations' with the sector (LGA 2014). Information sharing arrangements are in place between the LGA and government departments and the Inspectorates to ensure that the LGA has the intelligence to focus support. Alongside this, the DCLG and Local Government's "Localities" arrangements - where all the senior civil servants in the department are twinned with one or more local authorities - offer senior level engagement with each local authority area. This arrangement is separate from performance considerations and focuses largely on policy and implementation, although information from the arrangement is shared where appropriate. These arrangements replaced the much more comprehensive network of Government Regional Offices that were also abolished in 2010 by the incoming coalition government (DCLG 2010a).

Once an issue has been identified the LGA can initiate a SLI process. If the issue cannot be resolved, or if a local authority refused to engage with the SLI, the Secretary of State could

commission a corporate governance investigation to ensure a robust evidence base. The personal authority to do this follows on from the Local Government Act 1999, and the Local Audit and Accountability Act 2014 that abolished the Audit Commission. These Acts also give the Secretary of State the power to direct local authorities to take actions, and ultimately direct another body to take over specific functions of a local authority, if the authority is unwilling to engage with the LGA in light of the evidence gathered after an investigation.

Following the governments' recent experience of intervention in Doncaster, (Le Grand et al. 2013), the DCLG has developed a model for handling future interventions, which involves working closely with the local government sector. It is debateable whether SLI has been, or will be, more effective than central intervention, although even the primary proponents of SLI (Bennett et al. 2014) accept the latter will remain an option in order to incentivise local authorities to engage with the SLI and provide a fall-back position if the SLI proves insufficient.

Theme 5 – Changing the mix of accountability and transparency arrangements may involve value for money risks

The challenges of austerity localism for the financial sustainability and resilience of local government coupled with significant changes to accountability and transparency arrangements raise real and potential value for money risks. For example, central control over local government revenue (grants, business rates and council tax) means that an individual local authority does not have the means or the flexibility to respond to sudden increases in demand, robustly plan for the future, or in some instances, fill growing resource gaps. This is only mitigated to a small extent by the introduction of indicative three-year

funding agreements and a local authority's limited ability to raise revenue through fees and charges or other sources of income. The NAO's recent key findings noted that

“Some local authorities are showing persistent signs of fiscal stress particularly metropolitan districts,.... (that)... local auditors' confidence that local authorities can make medium-term savings has fallen... (and that)auditors are concerned about 'funding gaps' within local authorities medium-term plans, and the risks that could prevent authorities delivering savings” (NAO 2014b pp. 9-10).

The statutory requirements of the Local Audit and Accountability Act 2014 concentrate on annual financial reporting. This may hinder broader short, medium and long term sustainable management of financial and other resources.

These risks are not mitigated by other parts of the performance management and/or public assurance regimes, which could be perceived as a weakness of the current regime over previous performance and financial assurance arrangements.

The problem is compounded by the abolition of centralised performance monitoring frameworks, comparable quality assured indicators and the Audit Commission itself and ultimately means that there is insufficient data available on the quality and scope of local government services, as well as very limited capacity to interrogate this data effectively. This obscures any risks associated with service performance and means an informed judgment of the extent to which any local authority provides value for money is all but impossible. Armchair auditors have not stepped into the breach to mitigate this risk, and the NAO is

limited to undertaking high-level assessments of value for money across the sector, rather than within individual local authorities.

Conclusion

This paper has put forward five themes with regards to accountability and transparency arrangements in England. Although based on a study of local government, the themes speak to an important global debate in both the research and practice of public management about public assurance, value for money and underlying performance management arrangements (Moynihan 2008; Hood 2010; Bovens, Goodin, and Schillemans 2014; Ferry and Eckersley 2015a; van Dooren, Bouckaert and Halligan 2015).

The paper has implicitly acknowledged that professionalised accountability costs money and time. In advanced western liberal democracies, transparency is perceived to be relatively less expensive through the capacity and capability of the internet to disseminate large quantities of data that citizens readily have access to. It is therefore an attractive option in times of austerity and financial cutbacks for policy makers and practitioners to reduce professionalised accountability as a means to save money and to promote transparency as a surrogate.

However, an important theme for policy makers, regulators and practitioners is that transparency is not a straightforward panacea for a reduction in professionalised accountability arrangements. Financial cutbacks alone should not be an acceptable reason to undermine and significantly reduce public accountability. This is because in practice for many jurisdictions in advanced relatively wealthy western liberal democracies any significant loss of professional capacity with regards to information and its interrogation is unlikely to be

made up for by an army of armchair auditors that critically analyse and interpret raw data – citizens may perceive that they have better things to do, even assuming they had the ability to do it.

It is easy to appreciate, if not wholly to agree with nor consider suitable, how financial conformance has been allowed to become the main focus of a reduced professionalised accountability apparatus as part of cutback management under austerity. The problem is that such arrangements are not adequate for the assessment of value for money or for assessing the financial resilience or sustainability of public services. This is because such arrangements provide significant challenges for governance, leadership and strategic alignment in managing risk. Indeed systemic ‘service’ failure becomes a concern as the sole focus becomes the budget. This problem is only exacerbated as reporting is partial, scrutiny variable and quality assurance reducing as the focus becomes the current financial position rather than a comprehensive view of performance.

Mechanisms for early intervention are essential if public services fail or significantly underperform. In England, the local government sector has been proactive in devising its own SLI initiative. Nevertheless, this requires careful monitoring and considerable improvement if it is to be robust and ultimately even its proponents accept the central state may still be required to intervene in individual cases (Bennett et al. 2014).

Essentially, any changes in accountability and transparency arrangements inevitably change the risk profile with regards to value for money. Operationally it is more difficult to meet unforeseen circumstances if there is limited flexibility in funding arrangements. The sustainable management of financial and other resources also becomes more difficult if

reporting focusses primarily on financial elements, performance management arrangements are relatively weaker than what went before, and information is insufficient and inadequate to make robust value for money judgements.

Practitioners and policy makers alike must therefore embrace this discussion. If we are to have value for money public services, which the citizen has the right to expect, then arrangements to properly assess operational performance are just as important and must complement those for financial conformance. This should be the case whether public money is being used during austerity or in a period of growth. In a liberal democracy the assurance of the public that government is providing appropriate stewardship of public money is sacrosanct, but so should be the value for money.

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