A 'panoptical' or 'synoptical' approach to monitoring performance? Local public services in England and the widening accountability gap

Abstract

This article highlights how recent reforms to the auditing and assessment of local public services in England suggest there will be a shift from panoptical to 'synoptical' monitoring approaches. This is because the UK Government has abolished its centralised monitoring regime and instead required local authorities to publish a range of financial and performance datasets online, ostensibly so that citizens can hold organisations to account directly. However, the complexity and raw nature of these data, along with the sidelining of professional auditors, will result in most citizens being either unable or unwilling to undertake this task. As such, the proposed 'synoptical' approach will not materialise. Indeed, other legislative changes will mean that outsourcing firms effectively become the new, unaccountable observers of local public sector bodies within an enduring panoptical system. In many cases these companies will then assume responsibility for delivering the same services that they have assessed.

Keywords

Accountability; New Public Management; local public services; Panopticon

1. Introduction

In a previous issue of this journal, Vaughan Radcliffe posited that public auditors often collude in 'public secrets' by withholding from their reports the real reasons why organisations may not have achieved optimal outcomes (Radcliffe, 2008). Radcliffe's view was countered by Funnell (2010), who held that auditors should not comment on matters of policy and instead restrict their enquiries to operational issues. Radcliffe responded to Funnell by highlighting that public auditors in the USA are often directly elected and are therefore explicitly political actors. In contrast, in most Commonwealth countries they are appointed and therefore potentially more independent (Radcliffe, 2011).

This article does not take sides in the debate between Radcliffe and Funnell. Instead, it highlights how their debate will be transcended by the emergence of a new approach to performance auditing in England, which raises significant concerns for the accountability of local public services[1]. Using the surveillance metaphor that was developed by Jeremy Bentham and popularised by Foucault (1977), it illustrates how the UK's Coalition Government has claimed that decisions such as the abolition of the Audit Commission mean that it is moving away from a 'top-down', panoptical approach to monitoring the performance of English local authorities.

Following this line of argument, policy initiatives such as the 'transparency' agenda (which requires public bodies to make financial and performance data available online) should herald a shift towards what Mathiesen (1997) termed a 'post-panoptical' or 'synoptical' model of surveillance. For Mathiesen, modern technologies and the mass media have led to the development of a 'synoptical' situation in Western societies, because they allow the wider public to watch and monitor the behaviour of the powerful few, who are then encouraged to moderate their activities to prevent citizens from identifying misconduct. In this way, it is the polar opposite of Bentham's Panopticon, which encouraged the masses to act 'normally' in the knowledge that someone in power may be observing them.

However, the sheer volume and nature of the data that public bodies are being asked to publish, together with the impact of other policy initiatives that aim to encourage other providers to deliver public services on behalf of the state, mean that this new model will be nothing but a mirage. As this article will demonstrate, we are more likely to see private sector companies become the observers (the *de facto* performance auditors of local authorities) within an enduring panoptical system, as publicly-funded watchdogs such as the Audit Commission are sidelined and/or abolished. These developments run counter to the Government's claims that its new approach will enhance the democratic oversight of public services, and exacerbate the existing accountability concerns of various New Public Management scholars. They will also result in the debate between Radcliffe and Funnell on auditor independence and upholding 'public secrets' taking off in an entirely new direction.

As the context used is very current, this paper employs an explanatory study methodology (Scapens, 1990) to set out how a new model of surveillance is likely to develop. It examines government publications such as the Open Public Services white paper (Cabinet Office, 2011) and Localism Act (HM Government, 2011), as well as ministerial announcements, to identify policy objectives and how these initiatives are likely to influence the delivery of public services. In addition, it also reviews the extant literature on panoptical control approaches,

[1] The article concentrates on those services for which English local authorities are responsible. The nature of panoptical performance monitoring systems in other parts of the public sector, such as health and central government, remain largely unchanged.

auditing and accountability, and New Public Management to inform a discussion around how these policy initiatives will shape the future scenario.

The remainder of this paper discusses the following in turn: theories of visibility, Panopticism and Synopticism; the role of the public auditor; New Public Management; the Open Public Services white paper; the requirements and potential impact of the UK Government's 'transparency' agenda; and how the 'right to challenge' will provide a bottom-up lever to transform local public services[2]. These disparate strands are then brought together in the discussion and conclusion to show how the surveillance model for local public services in England is set to develop, and its implications for accountability.

3. Background

3.1 Visibility, Panopticism and Synopticism

The idea of a *Panopticon*, a disciplinary system that incorporates an agent who can observe others without them knowing that they are being watched, was first publicised by Jeremy Bentham in the late eighteenth century (Bentham, 1995). Bentham argued that prisons and other institutions should be designed so that people in these buildings could be observed at any time, but not be able to see the watcher themselves. He held that if people knew they might be under surveillance, they would discipline themselves and conform to societal and behavioural norms – regardless of whether someone was watching them or not. As such, they could be controlled without using excessive force. Although no prison was ever built that conforms exactly to Bentham's design, Michel Foucault embraced the concept of the Panopticon as a metaphor for discipline and control in *Discipline and Punish* (Foucault, 1977).

Foucault's arguments heralded a new interest in the analogy, which has continued until the present day. In particular, the increasing prevalence of data-capturing technologies such as closed-circuit television, smart cards and the internet has increased the popularity of the Panopticon as a way of describing contemporary life in developed countries. According to this line of argument, modern technologies can monitor the behaviour of individuals and make it visible. Since people are aware that their activities may be monitored, they will not wish to be singled out as being somehow abnormal and therefore choose to act responsibly.

In addition, the metaphor of constant surveillance can be extended to organisations as well as individuals. For example, managers can record and measure the activities of their staff, business units and organisations, ostensibly to inform decision-making and improve performance (Covaleski et al., 1998; Brivot and Gendron, 2011). These concepts have proven particularly popular in accounting literature, because of the way in which quantification can make people, business units and organisations comparable (Mennicken and Miller, 2012). Moreover, in recent decades Western governments have established watchdogs and extensive monitoring frameworks specifically to oversee the activities of publicly-funded bodies. Several scholars have compared these systems to the Panopticon, arguing for example that they monitor public bodies to try and ensure 'corruption-free government' (Anechiario and Jacobs, 1994), or to improve financial management and performance (Perryman, 2006).

[2] Responsibility for local government lies with the devolved administrations in Scotland, Wales and Northern Ireland. As a result, the Localism Act and transparency requirements, as well as most of the Open Public Services white paper, only apply to authorities in England, despite emanating from the UK Government. Therefore this article refers to the UK-wide Government as the source of policy initiatives, but to England as the area in which they take effect.

However, others have pointed out that the panoptical metaphor is too simplistic to describe Western societies (see Boyne (2000) for a list of five theoretical arguments in favour of abandoning the concept). In particular, Thomas Mathiesen (1997) turned the concept of the Panopticon on its head. He posited that we are moving towards a post-panoptical, or *synoptical*, society; that is, Western civilisation is increasingly characterised by lots of people being able to observe the lives of a select few, rather than the other way around.

To illustrate this, in the era of smartphones, microphones, mass media and the internet, public officials and those standing for election should be aware that their every move could be monitored and publicised. For example, during the 2010 election campaign, British Prime Minister Gordon Brown remarked that a member of the public with whom he had spoken was 'bigoted'. Unbeknown to him, this comment was caught by a microphone and subsequently replayed to him during a radio interview. Other examples, such as citizens filming the actions of police officers during political demonstrations, also show how the "machinery of surveillance is now always potentially in the service of the crowd as much as the executive" (Boyne, 2000, p. 301).

We shall see later how the UK Government has claimed that this non-hierarchical synoptical model will replace the previous panoptical approach to public service monitoring and assessment (Cabinet Office, 2011). Ministers have argued – albeit implicitly – that a synoptical process is more democratic, and also more effective at improving public services than the previous centralised regime. In spite of this rhetoric however, the complexity of public data combined with other legislative changes will mean that this situation will not materialise. Instead, the panoptical system will continue, but private companies will replace publicly-funded watchdogs as observers. This will raise significant concerns about the accountability of public services, as well as how they are audited and assessed.

3.2 The role of the auditor

Traditionally, auditors are responsible for assessing standards of financial management and performance in public bodies, which helps the state to discipline its agencies and achieve political objectives. Audit recommendation is a reflection of the independent judgments of what went wrong and how to rectify them and, if we understand it as a socially constructed practice, public auditing is a technology that could offer more potential in governing economic and social life than we often associate with its function (Radcliffe, 1999).

However, within this context we need to recognise that auditors' recommendations can be influenced by how they think their client will respond to suggestions. For example, recent issues of this journal have featured a debate between Vaughan Radcliffe and Warwick Funnell about the extent to which public auditors should (or are permitted to) comment on the wide range of factors that may have contributed towards particular outcomes. Radcliffe (2008) highlighted a state auditor's report into public schools in Cleveland, which presented an incomplete picture of the reasons why children attending schools in the centre of the city achieved poor exam results. He argued that the state auditor deliberately avoided discussing the impact of social deprivation on school achievement, because he knew that the Ohio legislature would not act on this issue. Instead, the auditor modified his findings to focus solely on those issues that would be more 'acceptable' to politicians in order to maximise his potential influence. As a result, the report focused on management issues and completely ignored the socioeconomic reasons why children in the centre of Cleveland did not achieve high exam grades. As such, "[t]he auditors' approach can at once be seen as

pragmatic, in aiming to affect whatever change or improvement is possible, and limiting, in that they are constrained both by themselves and others from making observations that may be publicly unpalatable" (Radcliffe, 2008, p. 99).

Drawing on Taussig (1999), Radcliffe argued that auditors are thus implicated in a *public secret* – something that "is generally known but cannot be articulated or spoken" (Taussig, 1999, p. 5) and therefore cannot present a full interpretation of the facts. Taussig developed this concept after several years in Colombia, where local people were fully aware of the extent to which state employees colluded with drug-running guerrillas, but they knew that the issue could not be mentioned in public. Although the notion has roots in an extreme example, Taussig argued that public secrets are essential for the smooth running of all societies, not just those characterised by lawlessness and armed guerrillas. To illustrate this, he cites Foucault's (1980) observation that sex is considered taboo in developed countries and, in Radcliffe's words, "knowing what not to know becomes a skill that is learned, shared and is in certain ways functional" (Radcliffe, 2008, p. 104).

Radcliffe does not address explicitly the implications of public secrecy in auditing for democratic accountability. However, assuming that these secrets are indeed widely-known, there would be no need for the Ohio state auditor to highlight the 'real' reasons why schoolchildren in Cleveland do not attain high exam grades: everybody would already be aware of them. Instead, by fulfilling the initial aims of the audit (restricting its scope to managerial issues), and therefore his own construction of how he should be held accountable (Sinclair, 1991), the state auditor has performed his role by holding the government to account on behalf of the public.

Regular readers of this journal will be familiar with the riposte from Funnell (2011), who argued passionately in support of auditors' professional independence, and against the idea that their judgments may be influenced by the political environment. At the core of Funnell's argument was the point that auditors do not comment on matters of *policy*: their constitutional role is to assess and make judgments on *operational* issues. To place this in the Foucauldian context, Funnell's implicit argument is that auditors should observe operational and managerial issues very closely, but they must not comment on the wider political environment. As such, they should act as observers in the panoptical system, but – paradoxically – only within a limited arena. Indeed, it is often beyond their constitutional remit to reveal 'public secrets' or point out that the emperor has no clothes.

Radcliffe (2011) responded by re-iterating that many state auditors in the US are directly elected – rather than appointed, as is the case in the UK and many Commonwealth countries. Indeed, as was the case for Cleveland's state auditor, they often have higher political ambitions and their judgments are therefore likely to be compromised by the wider political context. As such, Radcliffe did not dispute that auditors should consider managerial issues when analysing the outcomes of public policy. Instead, he argued that their inherently political nature compromised their independence and meant that they could not consider the whole range of potential factors when making a judgment.

Despite their differences, it is important to note that Funnell and Radcliffe agree that performance auditing is an essential function in a democratic state. They both believe that it should provide the public with an independent assessment of whether policies are having their desired effect. They only disagree over the range of factors that auditors should consider when making a judgement about

policy effectiveness, and whether the wider political environment could compromise their independence.

3.3 New Public Management and its implications for audit and accountability

Over recent decades, public auditors have focused an increasing amount of their work on managerial reforms in public bodies. These reforms, which are grouped under the general heading of New Public Management (NPM), are primarily aimed at cutting costs and doing 'more for less' through better management, transparency, user choice, contestability and greater involvement of the private sector in delivering public goods and services (Hood, 1991, 1995). For several decades now, various UK Government initiatives have sought to use NPM principles to shape public sector practices. Indeed, NPM has evolved from being a set of ideas about how public services should be managed and delivered to become a practical reality in most Western countries. These principles were the basis of public sector reforms such as privatisation, public private partnerships and the private finance initiative, all of which were undertaken in the name of greater efficiency, value for money and accountability (Broadbent and Guthrie, 2008; Broadbent and Laughlin, 2003; Hood 1991, 1995; Letza and Smallman, 2001; Ogden, 1995; Shaoul, 1997).

While the extant literature is supportive of the public sector's efforts to promote value for money, efficiency and improve accountability practices (Broadbent and Guthrie, 1992), it is less conclusive as to whether they have actually been successful (Broadbent et al., 2003; Lapsley, 1999, 2009; Mayston, 1999; Shaoul, 1997). In other words, critics of NPM do not dispute that the reforms have taken place, or that they had worthwhile objectives. Instead, they focus on issues such as the extent to which they have improved policy delivery (see for example Rhodes 1997), their inherent contradictions (Talbot 2003; Rathgeb-Smith 2003) or the complexity and problematic nature of entering into long term contracts with suppliers (Broadbent et al., 2003; Demirag and Khadaroo, 2008; English and Baxter, 2010; Froud, 2003).

As such, we can conclude that one of the important challenges of NPM is to balance improving public sector efficiency with protecting the interests of the public. Up to now, this role has largely been played by public sector auditors, whose audit reports and recommendations act as technologies to allow them to manoeuvre between the 'moderniser' and the independent appraiser of the efficiency of public sector practices (Skaerbaek, 2009). This dual role has been discussed extensively in academic literature, and scholars agree that it is important for auditors to give independent assurance that the interests of the public are being protected (Free and Radcliffe, 2009; Gendron et al., 2001; Gendron et al., 2007), and to highlight the potential implications for democratic accountability (Pollitt, 1986).

However, a key issue here is that, where public services are outsourced, their delivery is shaped by the interests of both the government *and* the private or third sector service provider (Schuppert, 2006; Giddens, 2009). Although the supplier may represent the interest of the general public in terms of achieving value for money, transparent information, improved efficiency and competitiveness, it is less clear whether the interests of the government and the general public are carried through in practice (Hood, 1991, 1995). This is particularly the case where governments have sought to keep their dealings with outsourcing companies secret on the grounds of commercial confidence (Funnell, 2000). In these situations we can never be certain whether the service provider (or indeed the government) is acting in the public interest – and therefore the

public cannot hold them to account. This has led numerous academics to argue that contracting private companies to deliver public services reduces democratic accountability (see for example Pollitt, 1986; Funnell, 2000; Letza and Smallman, 2001; Broadbent and Laughlin, 2003).

In spite of these reservations, and partly because it perceived public sector reform through budgeting and governing to be necessary to deal with financial austerity (Ferry and Eckersley, 2011, 2012), the UK's Coalition Government of Conservatives and Liberal Democrats has continued with the NPM agenda since taking office in May 2010. The remainder of this section will focus on three initiatives that are based on New Public Management principles: the 'Open Public Services' white paper, the 'transparency' agenda, and the 'right to challenge' local public service providers. Taken together, these three initiatives will not only accelerate the trend towards outsourcing the delivery of public services, but they will also result in private companies replacing publicly-funded watchdogs as the chief observers within the panoptical system of performance assessment. The relevant points from each agenda are set out below.

3.3.1 The Open Public Services white paper

The Open Public Services white paper developed from a consultation that was launched in late 2010, and an article by Prime Minister David Cameron that featured in the *Daily Telegraph* in February 2011. In the article Mr Cameron promised to "break open public sector monopolies" by introducing a new presumption that all public services would be opened up to competition, apart from the judiciary and security services (Cameron, 2011). The Government produced an additional document, entitled "Open Public Services 2012", in March 2012 (Cabinet Office, 2012), which re-iterated the principles and objectives from the earlier paper.

The main thrust of the white paper sets out the Government's vision for a more diverse market in public services, with a greater role for third sector organisations and private companies in delivery. As such, it echoes much of the NPM rhetoric of various UK politicians from recent decades, particularly since the introduction of Compulsory Competitive Tendering in local government. However, in a new twist, the white paper articulates the Government's view that it cannot (and indeed should not) reform and improve public services directly from Whitehall by pulling particular bureaucratic levers or introducing new regulations and duties. To return to Bentham's model therefore, it rejects the idea that performance assessment and improvement should rely on a centralised panoptical approach. Instead, it says that ministers should set out the conditions that allow services to be improved from the 'bottom-up' through market mechanisms, increased transparency and local accountability (Cabinet Office, 2011). As such, the Government is proposing that a synoptical model, which gives the public direct access to more information about local authority performance and financial management, would ensure that service providers operate more effectively.

The white paper sets out a framework, based on five principles for reform, in which these bottom-up activities should operate. This subsection addresses the implications of two of these principles: the view that public services should be 'opened up' to be delivered by a range of providers, and the argument that they should be made more accountable and responsive. It focuses in particular on those services that the white paper describes as 'commissioned': that is, where purchasers can be separated from providers and therefore be subjected to competitive tendering and payment-by-results mechanisms. This is a key objective of the Government: as the white paper states, "the principles of open public services will switch the default from one where the state provides the

service itself to one where the state commissions the service from a range of diverse providers" (Cabinet Office, 2011, p. 29).

UK Governments use white papers to set out policy strategy; in most cases the ideas that they espouse need to appear in subsequent legislation. As such, this white paper is short on the details of how Open Public Services can be translated in terms of detailed policy and legislative proposals. However, closer examination of the 'right to challenge' incumbent service providers that features in the 2011 Localism Act, as well as the 'transparency' agenda, suggests that additional legislation would not be necessary – at least to trigger change at the local level. As a result, these initiatives, which are covered in more detail in the next subsections, are likely to herald a significant increase in the outsourcing of public services over the coming years.

The white paper argues that 'opening up' public services so that alternative providers can deliver them will increase accountability, because customers would be able to respond to providers through 'choice and voice' mechanisms (Cabinet Office, 2011), and market dynamics would ultimately mean poor performers no longer deliver services. It sets out how these mechanisms would enable individuals to either opt for an alternative provider or complain to elected officials or the Ombudsman if performance is poor.

However, in most cases individuals will only be able to access services from a single provider, and elected officials will also be relatively powerless to respond to poor performance during the period of a contract. Indeed, as outlined above, outsourcing and privatisation has been criticised for *reducing* accountability, because it means that elected bodies are no longer directly responsible for public services and they may not be able to make major changes to service provision within the constraints of an outsourcing contract (Broadbent et al., 2003, Broadbent and Laughlin, 2003; English and Baxter, 2010). As Funnell (2000) highlights, the result is often that citizens receive poorer public services, yet are powerless to respond through elected representatives.

In short therefore, NPM ideas have reduced the accountability of public services, because many of these services are no longer delivered by democratically-elected bodies. Therefore, since implementing the white paper's proposals will almost certainly result in a new wave of outsourcing, public services will become even less accountable than is currently the case. More importantly however, this increase in the outsourcing of public service *delivery* is likely to occur alongside what amounts to the outsourcing of public service *auditing and assessment*, which would widen the accountability gap further and raise new questions about the role of the private sector in public services.

3.3.2 The 'transparency' agenda

The second key agenda to consider is the Government's programme to replace formal performance assessments with data 'transparency'. Since taking office the UK's Coalition Government has introduced a range of reforms to performance management and auditing that will have significant implications for local authorities in England. Most notably, it announced the closure of the Audit Commission - a non-departmental public body that carried out performance assessments of local authorities alongside its audit practice. Although the Commission's role in overseeing local authority *financial* auditing has been passed to the National Audit Office (a body that also monitors central government spending), no public body has taken over responsibility for monitoring the *performance* of local public services. As a result, frameworks such as Comprehensive Area Assessment (CAA), which judged how well public bodies in

England were delivering a set of agreed policy outcomes in the local area, are no longer in force. The predecessor to CAA, Comprehensive Performance Assessment, judged local authorities more explicitly on service performance, assessed how well they used resources, and gave each council a 'star' rating. In this way, both frameworks ensured that citizens, public officials and elected representatives were given an independent report into how well their authority was performing, which was based on a range of relevant data and sources. This centralised monitoring system, which had the Audit Commission at its heart, can be compared to that of the Panopticon, because local authorities were constantly aware that they may be under surveillance and behaved accordingly. Following the abolition of this architecture of auditing and assessment, it would appear that local authorities are no longer being monitored by an all-seeing observer. As such, they might be less likely to conform to expected norms of behaviour and could allow standards of financial and performance management to fall.

To fill the vacuum, the Government announced that local public bodies in England would have to publish a range of datasets and spending information online (Department for Communities and Local Government, 2010), including data on the costs and performance of their services and details of senior officers' salaries and expenses. This built on previous initiatives to 'open up' the workings of government, such as the Freedom of Information Act. Ministers argued that publishing these data would allow individual citizens to act as 'armchair auditors' and that they – rather than the professionals in the Audit Commission – would be able to hold public bodies to account for their spending decisions. In this way, the Government argued (albeit implicitly) that a non-hierarchical synoptical approach would be a more democratic way of monitoring local public service bodies than the centralised panoptical model. This is because data transparency ensures that public auditors are unable to maintain 'public secrets' with their clients. Indeed, professional auditors will become increasingly irrelevant under this new regime, because members of the public will assume some of their responsibilities for assessing public services.

However, the 'Siamese twins' of transparency and accountability can exist separately from one another (Hood, 2010). In this case, although the reforms have been accompanied by democratic rhetoric, it is questionable whether the published data are in fact meaningful to the public, and therefore whether the Synopticon analogy actually applies. In response to the Government's initial drive for transparency, some authorities argued that raw spending data should not be published purely for its own sake (Nottingham City Council, 2011). Echoing O'Neill (2006), these critics argued that armchair auditors require significant resources and additional contextual information about how local public services are delivered in order to give them an indication of how specific lines of spending may have contributed towards outcomes. After all, their professional counterparts base their judgments on far more than just the organisation's balance sheet: they interpret a range of information for the benefit of elected representatives and – ultimately – citizens. Following Foucault (1977), auditors aim to ensure that data that would otherwise be 'invisible' (because they cannot be accessed or analysed easily by stakeholders) become 'visible' when they enter the public domain through audit judgments and assessments.

Since professional public audit has been sidelined however, neither the public nor elected representatives will receive these independent assessments about supplier performance. As a result, citizens will not necessarily be able to make an informed judgment about a service provider and hold them to account. Therefore, although ministers may argue that moving towards a synoptical model will improve accountability, it is doubtful whether members of the public will be able to access enough relevant and accessible data to make an informed assessment

of performance. In other words, despite being publicly available, the data will remain 'invisible' and the Synopticon will only exist at the level of ministerial rhetoric.

As an additional point, performance audit is not just a 'policing' function: it also aims to suggest ways to improve in practice. 'Armchair auditors' are very unlikely to have enough knowledge about how a service is managed and delivered to make these recommendations, and therefore will be unable to assume the traditional role of a 'critical friend' who can suggest improvements following an assessment.

3.3.3 The Localism Act and the 'right to challenge'

It is at this juncture where the third piece in the puzzle – the 'right to challenge' that features in the 2011 Localism Act (HM Government, 2011) – completes the picture. This new right, which like the transparency requirement only applies in England, was ostensibly introduced to allow voluntary and community organisations, social enterprises and council employee groups (or 'mutuals') to express an interest in running any service for which the local authority is currently responsible. If one of these groups submits a challenge, the authority is required to consider the proposals and accept or reject them depending on whether the challenger can show that it would deliver the service cheaper or better than the incumbent provider. In keeping with the principles of the white paper therefore, it is likely to mean that more local public services are outsourced to alternative providers.

The new framework takes the principles of Compulsory Competitive Tendering (CCT) to a new level. CCT was introduced in the 1980s and remained in place until the late 1990s. It required local authorities to assess whether their services could be delivered more cheaply by private providers and, if this proved to be the case, they had to be put out to tender. Staff in the authority had to calculate the existing costs of the service through a complex formula (T-Quantum), in order to identify whether alternative suppliers could deliver it for less.

A key part of this arrangement was that local authorities had a statutory responsibility for calculating T-Quantum in prescribed percentages. This assessment was undertaken by council finance departments. By incorporating accounting arrangements such as central administration recharging into the design of this efficiency assessment, these departments retained significant control over any decision to outsource. In keeping with Radcliffe (1999), these audits became self-constructed and their findings were quite predictable: many 'blue-collar' services (such as waste collection, street cleansing and housing maintenance) were exposed to competition and ultimately outsourced. In contrast, most 'white-collar' services remained in-house, including the finance departments that were responsible for calculating T-Quantum in the first place. Independent auditors were not involved in this part of the process; they only judged some of the tendering arrangements at a later stage, in order to assess value for money and to ensure compliance with accounting procedures under the UK's Statement of Recommended Practice (SORP).

In contrast, the Open Public Services white paper takes this discretion away from public managers by inviting external suppliers to challenge incumbent providers and trigger a procurement process. Although the local elected Council will be able to accept or reject any challenge, it may wish to avoid potential legal disputes by ensuring that any decision to keep a service in-house is supported by some evidence. This evidence would almost certainly include any transparency data that suggest an alternative supplier would not be able to improve the service or

deliver it at lower cost. Furthermore, elected representatives are probably more inclined to approve any outsourcing challenges than the finance directors who would be more directly affected by them.

The right to challenge was initially heralded as a way of helping to deliver the Government's aim of a 'Big Society', in which voluntary organisations assume greater responsibility for public services such as parks, sports centres or community buildings. Indeed, the Localism Act more generally was originally viewed as a key mechanism for implementing many of these Big Society principles. In this way, the right to challenge can be seen as complementing other initiatives that have been aimed at reforming public services from the 'bottom-up'. Indeed, the legislation stipulates that it can be exercised by voluntary and community bodies, charitable trusts, parish councils or authority employees – in addition to any "other person or body as may be specified by the Secretary of State by regulations" (HM Government 2011, 100).

However, under European procurement law, the purchasing authority must maintain a neutral stance when considering bids for public contracts. As such, it will be difficult to restrict this right to third sector organisations, meaning that large outsourcing companies could also be able to exercise it, and challenge incumbent providers (Trades Union Congress, 2011). These larger suppliers will have the resources to analyse the data that are published as part of the transparency agenda, and will be able to identify which services are underperforming or costing above average. This will also be in their financial interest, as suppliers will be keen to 'cherry pick' those services that are most likely to fail a challenge, and trigger procurement processes that could lead to them delivering the services through outsourcing arrangements.

As such, these unaccountable private sector suppliers will be the only organisations with sufficient capacity and incentive to process the transparency data and come to a judgement about financial management and performance. Indeed, in the absence of the Audit Commission, they will probably become the *de facto* performance auditors of English local authorities. In addition, although the white paper promises that there will be a 'level playing field' to ensure that all bids are judged equally, it does not acknowledge that the teams on this field will vary hugely in terms of their available resources and capacity. Consequently, smaller third sector organisations would need to pull off "giant-killings" to win the bigger contracts, as large outsourcing companies are much more likely to be successful in any procurement process.

Returning to Foucault (1977), transparency data will therefore only become 'visible' once they have been processed and presented by the outsourcing companies that are looking to challenge an incumbent service provider. As such, this data analysis would effectively replace performance audits for most local authority services. This would mean that performance assessments are carried out by organisations that are not independent and have no responsibility to citizens or duty to provide services in the public interest – in contrast to existing public sector watchdogs. They would also be focused narrowly on services that are perceived to be either poor-performing or high-cost, and therefore vulnerable to outsourcing. Finally, as Funnell (2000) has identified, private sector suppliers are much more likely to withhold information on the grounds of commercial confidence, which could mean that the assessments are incomplete and/or misleading. Such a situation would have significant implications for the accountability of public services in general and of public auditing in particular.

It also becomes clear that these developments would run counter to the notion that the monitoring of local public service bodies is shifting from a panoptical

towards a synoptical approach. If the transparency data only become visible after potential service providers have analysed and presented them, then we cannot say that public bodies are being held accountable through a democratic, transparent, synoptical process – because citizens do not have the means of surveillance at their disposal. Instead, it is much more likely that the panoptical framework will continue, but private sector firms will assume the role of watcher within the system. From the public body's perspective, the threat of a challenge would be analogous to the risk of being observed in the Panopticon, and authorities are therefore likely to moderate their behaviour in response to potential private sector pressure, rather than citizens' priorities.

In addition to these concerns about democratic accountability, there is also a risk that a lack of independent oversight of public spending will result in mismanagement and potentially corruption. As Free and Radcliffe (2009) have shown, the implementation of NPM ideas in Canada meant that its approach to audit and accountability became fragmented and decentralised. The result was a major financial scandal – the 'sponsorship scandal' – which led to the Canadian Government resuscitating its Office of the Comptroller General and giving it significant powers to monitor public spending in order to prevent a reoccurrence. Whether the UK will follow a similar path remains to be seen.

4. Discussion and conclusion

As we have seen, prior to losing the 2010 general election, the UK's Labour Government adopted a panoptical approach to the management of public bodies. This involved charging central watchdogs with the task of assessing the extent to which agencies and local authorities were achieving targets that had been set by ministers and civil servants. These watchdogs produced reports on how well authorities were managing their finances, improving corporate performance and delivering services. Inspectorates formed these judgments on the basis of the authorities' financial and performance reports, site visits (which were sometimes unannounced) and interviews with key stakeholders both inside and outside the Council (Audit Commission, 2010). By the end of the 2000s, and at the behest of Labour ministers, the Audit Commission amalgamated the judgments of various inspectorates into a single assessment of the extent to which public bodies were improving outcomes at the local level. Several different watchdogs were involved in the assessment process, in most cases because existing bodies already had responsibility for monitoring specific local services. In spite of this, and the fact that audit bodies limited themselves primarily to operational issues outside the political arena, we can characterise this approach as being broadly panoptical because of its centralised nature and the fact that authorities could never be sure what the auditor might find.

Since then, the new Coalition Government has dismantled most of this institutional architecture and has instead required public bodies to make a large amount of their financial and performance data available online. Assuming that these data are accurate and paint a genuine picture of how the organisation is functioning, this 'transparency' agenda fits much more closely with a synoptical model of surveillance – at least at the level of ministerial rhetoric. This is because (theoretically at least) citizens can access data that will enable them to hold public bodies to account directly through their role as 'armchair auditors', and therefore the 'many' are able to monitor the activities of the 'few'. Government ministers have suggested that this democratisation of data will improve public accountability (Department for Communities and Local Government, 2010) because citizens would be better informed about standards of financial management and performance within their local authority. Following this line of argument, initiatives set in train by the Open Public Services white paper would

then give them the opportunity to access services from an alternative supplier or complain about service quality to the Ombudsman. As such, accountability is exercised by citizens, from the bottom-up. In addition, removing professional auditors from the process would render debates about their independence and perceived collusion in 'public secrets' immaterial, because citizens would be able to come to their own conclusions about whether public services provide value for money.

However, it is very unlikely that this new model of surveillance and accountability will become a reality. Due to the nature and volume of data that will be published, and the fact that suppliers will have the "right to challenge" incumbent service providers, the Coalition's reforms are much more likely to result in outsourcing firms (rather than private citizens) becoming the *de facto* performance auditors of local public sector bodies. This is because suppliers will be in the best position to make the relevant data visible and meaningful to the rest of the population, and it may also be in their financial interests to do so. As such, rather than heralding a new, democratic, 'synoptical' process that will enable individuals to monitor the performance of public services by analysing publicly-available data, these reform initiatives are more likely to result in outsourcing companies assuming the role of observer within an enduring panoptical system. Unlike their predecessors, these new watchdogs will not be accountable to the public through Parliament. This raises significant additional questions about the independence of public audit, and exacerbates concerns about the potential undesirable consequences of New Public Management principles.

To contrast this situation with Radcliffe and Funnell's debate about the role of public auditors, neither elected officials nor state-funded appointees will be responsible for assessing local authorities in England. Instead, private companies, who will have no responsibilities other than to their shareholders, will be the most powerful judges of local government performance. In response to Radcliffe, these suppliers will be less inclined to agree compromises and uphold 'public secrets' than professional auditors, as they will have a financial interest in exposing poor performance by incumbent suppliers. Yet Funnell's defence of the auditor's independence will also become less relevant, because these private companies will be acting in their own interests, rather than those of the public. Armed with data provided through the transparency agenda and Freedom of Information Acts, suppliers will be extremely well-placed to furnish elected officials, the media and wider public with their own interpretations of how well local public services are being delivered. Indeed, these suppliers will assume a dual role of both the 'watchdog' and 'attack dog' for local authorities in England – and the most important 'armchair auditors' will probably be sitting in the boardroom rather than the lounge.

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