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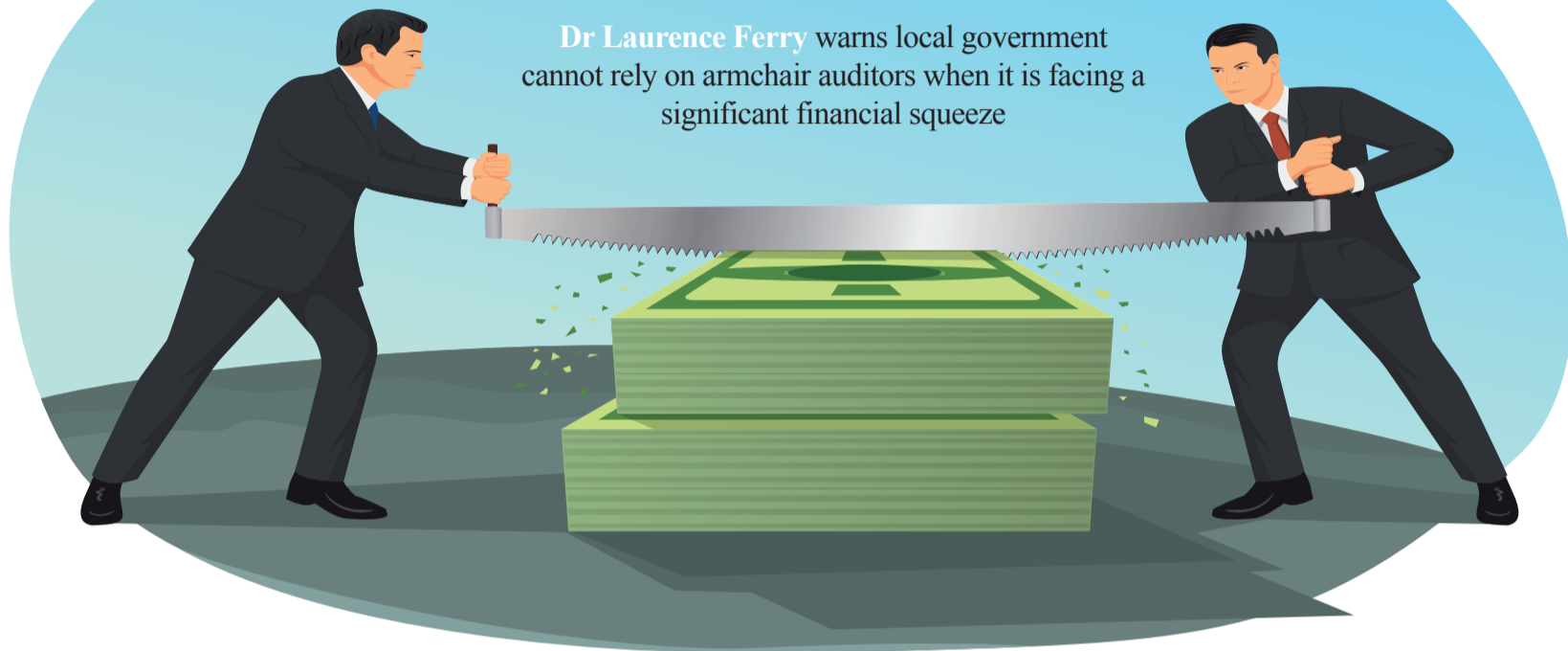
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Seeking value in a privatised world

Dr Laurence Ferry warns local government cannot rely on armchair auditors when it is facing a significant financial squeeze



Since the global financial crisis of 2008 there has been an added impetus towards reconsideration of the shape of the British state.

The search for a 'smarter state' which is smaller and cheaper has particularly affected the field of central-local government relations.

At the organisation level of local authorities the budget cuts have led to a significant increase in 'hybrid' arrangements with partners from the private and voluntary sector and citizens, bringing various opportunities and challenges around new delivery, management, governance and funding.

In many cases this means increased private sector involvement. The implications of these arrangements should be high on the political agenda due to their fiscal and policy significance. A central concern should be how to assess value in what will become an increasingly privatised world.

Removal of benchmarking and auditing functions

Since the early 1980s until 2010 there was an era of performance management and accountability in central and local government relations, with both the Conservative and Labour Governments employing various performance management frameworks to try to change the way local authorities operated.

These included compulsory competitive tendering, best value, comprehensive performance assessment and comprehensive area agreements.

For example, the Audit Commission undertook performance inspections, gave each English local authority a 'star rating' and published its results online. Citizens were actively encouraged to use this data to compare their local authority with other public bodies.

After the 2010 General Election, the Conservative-led coalition Government abolished the Audit Commission and its performance frameworks, reducing the emphasis on competition between local authorities.

The then communities secretary Eric Pickles said the level of centralised inspection had become unnecessary and the Audit Commission 'had become a top-down regulator of local government, micro-managing local

services and imposing excessive and questionable red tape'.

The rise of 'armchair auditors'

To compensate for the changes to accountability, the National Audit Office picked up the financial audit but their value for money remit is not to the same depth as the previous system and makes judgements more difficult, if not impossible.

The Government relied on the introduction of transparency arrangements where all transactions over £500 have to be published online.

The expectation was the reach of the internet, Freedom of Information Act and transparency agenda have placed public finances and how they are accounted for under scrutiny like never before. So by making data freely available to citizens online they would act as 'armchair auditors', replacing the professionals and making the process of government more economical.

But does merely making data freely available to citizens as 'armchair auditors' replace professional audits? This question is fundamentally important. Looking at the value for money from local public services encompasses everything from how bins are collected to the local bobby on the beat and a fireman cutting someone out from a crashed car.

Having the professionals in place to examine the books and properly audit public spending is a concept some countries have grappled with for decades.

In reality it is difficult for even interested citizens to analyse such raw data with little contextual information and this has weakened accountability for local public services.

What regulations are needed?

There is debate surrounding the level of regulation needed to properly compare service provision on a local, regional and national scale.

A proposed alternative to regulation is transparency, particularly because it is a government requirement for providers. But in order for it to work citizens and service users must be able to process the released information.

However, studies have shown the transparency effects are

not significant enough for regulation to be removed entirely, especially in cases where information is relatively complex.

As the private sector takes on more delivery for the state it is likely a greater level of information will become arguably outside of transparency arrangements under the umbrella of commercial sensitivity. Will citizens then be more proactive in challenging governance, delivery and funding?

Citizen engagement in the future

Local populations have traditionally not been very engaged in local politics but this trend is shifting. Citizen participation by local authorities has moved beyond the ability to attend local councillor surgeries and council meetings towards a more comprehensive system of including local citizens in the budget process and decision-making.

Unfortunately, the funds needed to undertake all existing activities do not exist and although citizens have been enrolled in the co-production of services such as governance arrangements for social care and running library services, the majority remain less involved and in some cases even disinterested.

As the state is rolled back to be smaller and arguably 'smarter' and the private and voluntary sectors pick up more delivery, will citizens remain so detached?

I am of the opinion that over the next four to five years we will need to reconfigure the accountability and transparency arrangements and performance management systems for local public bodies in order to find value.

It will be important they are nuanced to the requirements of different local bodies and providers (including the private sector).

We should look to build on the beneficial aspects that exist and have previously existed so services can be compared and benchmarked correctly. By doing so, service value for money and public accountability will increase, allowing for more informed decision-making and genuine service improvements. We cannot simply rely on armchair auditors. ■

Dr Laurence Ferry is associate professor in accounting at Durham University Business School and expert in local government accountability