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Centre for Public Scrutiny (CfPS)
Local Public Accounts Committees Discussion Paper
23rd March 2018

Written evidence submitted by
Professor Laurence Ferry, Durham Universityⁱ

1. Introduction

I welcome this opportunity to submit written evidence to the Centre for Public Scrutiny (CfPS) Local Public Accounts Committees (LPACs) Discussion Paper. This reply draws on my personal senior level experience and recent published academic work on financial sustainability, accountability and transparency in central and local government. Overall, the main focus of my response concerns how LPACs can be operationalised. The scope of the response is confined to England, and it should be noted that there are some important differences in arrangements for other parts of the UK. Firstly, my response highlights some context and previous evidence I submitted to Parliament on this area with online links that include my published work. Secondly, my response addresses the specific questions raised in the consultation paper.

2. Context and Previous Evidence

Local accountability is vital in ensuring public assurance around financial sustainability and value for money. This is increasingly important as local areas are expected to play an influential role in economic growth and social cohesion following Brexit and in line with place considerations of the Industrial Strategy. In addition, there is increased devolved powers and funding to a local level, promises of extra revenue raising powers, more privatisation of services and additional funding pressures that need stronger local accountability arrangements.

However, the abolition of the Audit Commission and scrapping of centralised performance management systems means there are currently limited institutional arrangements for assessing local value for money. The focus has been financial conformance rather than operational performance. Central government relies on the system of local accountability for assurance over the value for money of funding it gives local authorities. The Department of Communities and Local Government (Now the Department of Housing, Communities and Local Government) core principles state that local authorities' prime accountability is to their local electorate, and that local councillors are best placed to decide 'what is value for money' locally. Given that services are being increasingly devolved to local areas there are concerns that there may be a gap in value for money accountability and scrutiny.

With the abolition of the Audit Commission, the National Audit Office has become the main professional body examining public expenditure to ensure value for money, but while they look at sector-wide issues – and do well with the resources they have and scope they are given - they cannot assess whether individual local authorities are achieving value for money.

MP Meg Hillier (2016), Chair of the Public Accounts Committee, recently highlighted in December 2016 that this raises a significant issue of who is there to speak truth to power? Public value is best determined by citizens and their local representatives, but if so what local arrangements should we have to oversee all these devolved funds. Should each area have its own LPAC for example?

Over recent years several main scrutiny governance models have emerged ranging from the LPAC at one end of the spectrum to the traditional model at the opposite. Whilst the LPACs have much to commend them they will also be arguably more expensive to operate, and so a balance will have to be struck. Indeed whilst structures can work to encourage people to behave in certain ways and it is important to get them right, there is no one size fits all model for scrutiny and governance. It is also crucially important to take account of the 'culture' of each place and the 'context' surrounding capacity, capability and other issues. Indeed whilst local responsibility needs an overhaul, there is also a need to overhaul the funding and financial technical arrangements. Otherwise the whole process could be doomed to failure – A message the Layfield Committee alluded to over four decades ago.

Within this context a number of points can be made:

(A) '5' key themes emerged from local government research in England during austerity 2010-2018 being:

- 1) Transparency may not adequately replace accountability;
- 2) Loss of formal information and interrogation capacity has not been replaced by informal arrangements;
- 3) Austerity and cutback management will challenge governance relationships;
- 4) Reduction in performance information is constraining public reporting, scrutiny and public assurance; and
- 5) Changing mix of accountability and transparency may involve value for money risks.

(B) A more holistic model / whole system approach is necessary to ensure all 'key' elements of effective local government (and of public service delivery including by the private sector and other bodies) are assessed for accountability:

- 1) Financial Sustainability;
- 2) Service Performance;
- 3) Governance; and
- 4) Culture.

The underpinning evidence for these points can be found at the following online links which include references to some of my published journal papers:

Ferry, L. (2017). 'Additional Evidence to the Communities and Local Government Inquiry on Overview and Scrutiny in Local Government', House of Commons, London.

<http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Communities%20and%20Local%20Government/Overview%20and%20scrutiny%20in%20local%20government/written/70927.html>

Ferry, L. (2017) 'Written evidence submitted to the Communities and Local Government Inquiry on Overview and Scrutiny in Local Government', House of Commons, London.

<http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Communities%20and%20Local%20Government/Overview%20and%20scrutiny%20in%20local%20government/written/48525.html>

Ferry, L. (2017) 'Local accountability for public money in a post Brexit world', Animated on-line video, <https://www.youtube.com/watch?v=GDAZEicHGU4>

3. Responses to Consultation Paper Questions

My responses to your specific consultation paper questions are as follows:

3.1 How can agreement be brokered on the central point of the need for a LPAC, amongst a sufficiently broad range of organisations to make such a body viable?

The duty of a LPAC is well set out in your consultation document, 'To hold to account the delivery of public services by organisations working together across a locality, and to investigate the value for money of those services.'

In my opinion the most over-riding argument for a LPAC is the need for 'having the freedom to follow the "public pound" around a local place' (obviously subject to some exclusions) as part of public assurance that citizens would rightly expect for taxpayer funds.

Nevertheless whilst organisations involved in delivery of public services would find this difficult to argue against, they often do so on the grounds of commercial confidentiality. This seems too often be used to restrict such freedom, but parts of scrutiny (just like in a council or central government) can be done in restricted settings when necessary and so this does not seem sufficient grounds to me. It is noteworthy that the Communities and Local Government Select Committee and government response took a similar view concerning scrutiny arrangements:

Select Committee Report (2017) -

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/369/369.pdf>

Government Response (2017) - <https://www.parliament.uk/documents/commons-committees/communities-and-local-government/2017-19-Correspondence/Government-Response-to-the-Communities-and-Local-Government-Committee-First-Report-on-the-effectiveness-of-local-authority-overview-and-scrutiny-committees.pdf>

LPACs would also benefit from being enshrined in legislation. This is because they would then be seen to have more legitimacy, teeth to undertake their work and ensure a consistent basis across the country.

3.2 Is there an "optimum" operating model for a LPAC with the powers we have set out – or is it right that there be significant divergence between areas based on local need and appetite?

The model could be standardised with adaptability for local variation. This then gives a level of consistency throughout the country, but with some consideration for local practice.

In my opinion a completely independent LPAC for designated places would be most appropriate. The LPACs role in VFM should be conducive with more than justifying its costs of operation, in much the same way that the NAO and PAC operating at a national level are

viewed as being a good investment for the taxpayer. This should be an argument easily enough to make – Look at the savings that the NAO (and Audit Commission previously) justified that more than covered their costs.

With regards to funding the subscription based model maybe a short term fix for piloting LPACs, but nothing more. It suggests a level of capture by organisations that are supposed to be under scrutiny. A local precept could work as in police and fire services, but given the effects of the current social care precept on council tax this is unlikely to be an acceptable and sustainable solution. It makes more sense for this funding to be voted through the House of Commons and passported through the NAO. I do not see why this should be viewed as national involvement in local arrangements. The NAO is independent of central government as is the national PAC that local PACs could share information with. I appreciate that MPs may not have time for detailed involvement in LPACs, but as they are involved heavily in their local constituency I am sure they would want to at least be briefed on any potential contentious issues. On balance therefore if pilots of LPACs are proved to be worthwhile, then at that point I would support an attempt for funding voted through the House of Commons.

For me powers for LPACs could be derived locally during piloting but then should be set out in statute if this was something to be done nationally. This would be to ensure a consistent level of public assurance throughout the country. Assuming the principles for statute came from the local pilots there is no need for this to be seen as a nationally enforced arrangement.

To be effective there has to be powers of enter and view, rights of access to papers and documents, rights to require people to attend and answer questions, a power to require a specified response to recommendations, a specified audit function especially around strategic oversight, and some form of sanctions (even if this is merely the visibility brought about through discussing certain issues at the LPAC – Maybe sunlight is the best disinfectant).

3.3 How much of a challenge is it for a LPAC to engage in the cultural aspects of its work – particularly when that involves engaging in the internal culture, behaviours, attitudes and values of decision-makers in individual organisations?

The LPAC would be, and should be perceived to be, 'local'. This is important as it has more chance to understand and be seen to understand the material (structures and practices) and symbolic (ideas and meanings) institutional arrangements for their place. In addition, it can therefore take account of situated context, historical contingencies and culture that are locally important to the organisations and networks in their geographical area. It can then see how this fits into multiple levels of analysis from individuals, organisations, fields and institutions.

3.4 What level of co-operation is required with existing governance systems?

Co-operation in existing governance systems would be important to ensure information flows, contain unnecessary costs and strengthen public assurance. The starting assumption would have to be that existing governance systems for organisations and networks are currently robust and therefore can be relied upon as the LPAC will not have the time, resources and expertise for a root and branch overhaul of governance arrangements across each local organisation.

However, within this assumption, the LPAC will be expected to probe through strategic oversight, address any systemic risks and highlight individual problems that come to its attention so where existing governance arrangements do fall short they can be strengthened.

3.5 Is “value for money” as we have defined it an adequate focus and driver for the LPAC’s work?

The value for money concept has to cover the original definition of economy, efficiency and effectiveness, but also embrace equity. This is especially important for issues of social cohesion at local levels. Linking this definition of value for money to social, economic and environmental well-being is an appropriate way forward. It may also be worthwhile pursuing ideas around integrated reporting that can cut across individual organisations and networks to focus on value creation in the public sector. Please see IIRC and CIPFA (2016) Focusing on Value Creation:

file:///C:/Users/dior/Downloads/Focusing_on_value_creation_integrated_reporting.pdf.

3.6 How can local people be involved in the LPAC’s work?

Members of the PAC can be involved with local people through consultation processes that may include together thinking about areas that should be scrutinised, talking about issues of concern, walking about local areas to inform debates and deciding on priorities. Existing local authority consultation processes may assist here. Impact assessment templates of work with audit trails could be kept online by the LPAC that the public can access and monitor overtime.

The meetings of the LPAC could also be open to citizens and/or recorded, which would allow them to be made public on-line along with recorded minutes.

There could also be the facility for reporting by citizens of concerns, but also potential improvements and best practice that could be shared more widely (Maybe across LPACs nationally).

3.7 How can we have confidence that local PACs – individually and collectively – are working to deliver the kind of outcomes we hope?

To establish confidence in LPACs and that they are working to deliver the expected outcomes the NAO could do a report on the effectiveness of LPACs once they are operational. This could be discussed in the national PAC to give added assurance. An integrated report could be produced to show how LPACs are creating value in delivery of public services and ensuring value for money.

4. Conclusion

Value for money arrangements need to be strengthened and LPACs provide a mechanism worthy of further consideration. I look forward to the CIPS final recommendations on LPACs, which is an important development in ensuring public assurance around the value for money of public service delivery.

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