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## Chapter 3. Local government

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### Introduction

Under the New Labour administrations of 1997-2010, and before the financial crisis of 2008 onwards, local government was at the forefront of development in accountability and performance management regimes with different sectoral and/or service regimes mutually learning from their own and each other's experiences. It is argued that the 'regimes' tended towards coalescence (Murphy 2014), rather than diversification although some disagree (Goldfinch and Wallis 2010). It has also been suggested that such regimes had a significant impact in Europe, Australia, Canada and, to a lesser extent, the USA (Christensen and Laegreid 2011).

However, since 2010 and the policy of 'austerity-localism' (Lowndes and Pratchett 2012) local authorities were given more powers over their activities, but also ensured some of the largest budgets cuts of any public services and far in excess of the levels of reduction in central government expenditure (HM Treasury 2010).

In a period of austerity, it might be reasonable to expect 'value for money' from more limited resources to be an even greater priority than it was before. Austerity challenged the financial sustainability of local governments and the ability of policymakers to address policy challenges. Having appropriate accountability and transparency arrangements to assure the public they were getting value for money should have taken on renewed urgency. However, contrary to this, the period of the Conservative-led coalition government saw the dismantling of and disinvestment in the 'improvement infrastructure' and the data and intelligence that had formed the evidence base for the reform and improvement of local authority services.

The purpose of this chapter is to consider the financial and service sustainability of local government under the coalition government from 2010-2015. The accountability, transparency, and public assurance arrangements will be evaluated via the concepts identified as part of the evaluative framework in Chapter 2.

### Central and local government relationships

The size and sustained nature of the public spending cuts led to fears around both the financial and service sustainability of public services. Any reform to state institutions by politicians and public managers has to consider the relationship between central government, local government, and citizens, particularly given the significant influence on policy making (Moynihan 2008).

More specifically, literature has highlighted challenges of implementation around performance management in the public sector (Van Dooren *et al.* 2015), particularly at sub-national tiers of government (Ashworth *et al.* 2007), identifying tensions between central control and local determination.

Since the 1980s, successive governments employed national performance management frameworks accumulating information about how sub-national levels of government are operating, more than at any point historically. However, the emphasis of government on some performance management aspects, such as building measurement systems to acquire more performance data, was not always matched by wider organizational change initiatives to facilitate using the information at the level of implementation (Van Dooren *et al.* 2015; Moynihan 2008).

In the UK context, power and control in central and local government relations have been continually contested, especially around service determination, performance management and funding arrangements (Rhodes 1981; Wilson and Game 2011). Since the early 1990s there has been a gradual centralisation of funding following the poll tax (a local tax on housing) being axed. Indeed, arguably, England of all major Western European countries has the most central control over local government funds (Ferry *et al.* 2015a).

From the early 1980s, UK governments of all political persuasions have also supplemented financial controls with an increasing range of centralised performance management frameworks setting out local government scope and operations in detail (Seal and Ball 2011; Seal and Ball 2005; Seal 2003). A “golden thread” was to be created linking ministerial objectives and pronouncements with the administration of policy at the local level (Micheli and Neely 2010). Individual local authority performance could then be monitored against these frameworks through a comprehensive system of indicators and external audit and inspection, and ultimately ranked in league tables encouraging comparative benchmarking and competition. The underlying aim of these initiatives was continuous improvement in public services. Continuous improvement was to be assessed through the 3Es, i.e. economy, efficiency and effectiveness – value for money - with which local authorities delivered the services that were reflected in national indicators and performance frameworks (Hopwood 1984).

In contrast to developments since the 1980s, from 2010 the Conservative-led coalition government embraced ‘austerity localism’ as an overriding policy objective (Lowndes and Pratchett 2012) and began systematic and systemic governing and budgeting for deficit reduction through radical changes to the spending review, budget, and audit and accountability arrangements (Ferry and Eckersley 2015b, 2012; Ferry and Eckersley 2011; Ferry and Eckersley 2015a). *The Localism Act 2011* did not, however, give local authorities greater autonomy over local revenue generation to go with the increased power they were perceived to have over spending decisions. Abandonment of performance management frameworks and performance audit has meant less focus from local authorities on service outputs and outcomes (NAO 2014a). Other changes included the abolition of the Audit Commission that had co-ordinated and delivered external audit, inspection and national reporting on locally delivered public services in the UK (Timmins and Gash 2014).

It was also determined that future local authority audits would be overseen centrally by the NAO, would focus solely on financial management, and have no performance assessment in the *Local Audit and Accountability Act 2014* (Ellwood 2014). This, coupled with austerity, made ‘*financial conformance*’ not ‘*operational performance*’ the overriding focus, for both central and local government (NAO 2014c) weakening local accountability by obscuring austerity cuts in terms of their potential impacts, especially on value for money (Ferry and Eckersley 2015b).

Unfortunately, the changes in public service provision have increased the risk of provider failure (National Audit Office 2015) and performance at an *individual* local authority level had an accountability deficit that is only partially addressed through the NAO report on financial sustainability (NAO 2014a). Assessing the value for money aspects of financial sustainability became a challenge due to the lack or inadequacy of performance information available. Unlike the Audit Commission’s much wider remit, the NAO’s obligation was essentially reduced to highlighting 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 were:-

*“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 2014a).*

Essentially, the NAO commentary identified that the new accountability and audit arrangements could show if the DCLG and local authorities were spending within budget, but not what value for money the public was receiving.

More broadly, delivery mechanism diversification encouraged by the coalition government has created a much more complex accountability landscape ([Shaoul et al. 2012](#)). This, coupled with local authorities recognising that their traditional organisational remit and funding arrangements would have to change further, altered the local government risk profile ([Ferry et al. 2017a](#)). Figure 3.1 illustrates the change between 2010 and 2015.

INSERT FIGURE 3.1 local government public assurance 2010-2015 HERE

In an attempt to mitigate the reduction in accountability arrangements, there were repeated claims by ministers that the transparency agenda would lead to an army of 'armchair auditors' that would fill the accountability void created by Audit Commission closure and performance audit abandonment ([DCLG 2011a](#)) (Department of Communities and Local Government 2010a, Department of Communities and Local Government 2011c), but this did not materialise. As a result, the quality of service outputs and outcomes were not being comprehensively or robustly assessed ([Ferry et al. 2015b](#)). When combined with austerity, this reinforced the holding down of input costs through an over-riding focus on budgetary stewardship as the pre-dominant managerial objective within local authorities, and meant a reduced scope for officers to innovate ([Ferry et al. 2017a](#)). The transparency agenda in England is arguably an apologia and not an effective substitute for the level and sophistication of accountability that can be afforded by independent professional auditors assessing performance ([Ferry et al. 2015b](#)). However, internationally this is not always the case as context, culture and politics can play a role alongside other contingent variables ([Ospina et al. 2004](#); [Willems and Van Dooren 2012](#); [Molnár 2008](#); [Ferry and Eckersley 2015a](#)).

The idea of the public as armchair auditors may not have taken hold ([Ferry and Eckersley 2015a](#); [Etzioni 2014](#)) but, nevertheless, social movements, political protests, citizen participation and other bottom-up grassroots initiatives did influence policy contestation ([Ball and Seal 2005](#)) and led to various governance changes, co-option strategies, challenges to government policy from the local level ([Ahrens and Ferry 2018](#)), public value accounting strategies ([Ferry et al. 2018](#)), and hybridisation of financial and service roles ([Ahrens et al. 2018](#)).

In England, between 2010 and 2015, accountability arrangements diminished and were not adequately replaced by transparency initiatives. Nonetheless, international experience suggests that over the longer-term, some performance information use will be re-introduced as financial stress eases and there is a focus once again on value for money, and not merely cutback management ([Raudla et al. 2013](#); [Wildavsky 1975](#)). As a result, it is important to consider a number of themes in the light of critical reflection by academics, policymakers, and practitioners. These contribute to a broader debate on accountability and transparency as they are particularly important pillars underpinning our democratic system of governance. They are also important to jurisdictions with other forms of governance. We consider five themes, which will be followed by some general conclusions relating based on our evaluative framework.

### **Can transparency adequately replace accountability?**

Local government in England was, by 2015, in a more complex organisational landscape where it is suggested accountability has been reduced and not adequately replaced by increased transparency. For example, in terms of accountability, the focus is primarily on financial conformance and sector-led improvement (SLI) by local government itself ([House of Commons Communities and Local Government Committee 2011](#)). The abolition of the Audit Commission and decommissioning of

corporate performance management arrangements have meant that value for money capability and capacity has been significantly reduced. Policymakers must, therefore, decide if they need to strengthen accountability. This will become paramount when austerity as an over-arching policy recedes and the focus on cutback management gives way to a revived interest in value for money.

Local authorities are established in statute, with a responsibility to their electorate for spending decisions and have responsibilities mainly covered by a framework of legal duties which set out what they must do and places 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, including having a balanced budget for revenue and expenditure. The principal local checks that are made on regularity and propriety cover clarity on responsibility for resources, a set of financial duties and rules requiring prudence in spending, internal checks that rules are followed, and external checks by an independent auditor.

Audit arrangements are subject to the Local Audit and Accountability Act 2014. This repealed the Audit Commission Act 1998 and reformed processes for performance and financial audit of local government. These reforms included the abolition of the Audit Commission which closed on 31st March 2015 and transferred 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 that started after the Commission's current contracts with audit suppliers ended in 2016/17. A transitional body, Public Sector Audit Appointments Limited (PSAA), now oversees the contracts in the period up to 2022/23. The NAO produces the code of practice and supporting guidelines for local authorities, as well as enhancing its existing value for money studies by conducting a small number of investigations into local public service delivery.

The audit changes require local authorities to adjust to dealing with relatively more organisations. These include the PSAA, NAO, Cabinet Office and the Department for Communities and Local Government (DCLG). Local authorities also 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 national collation and reporting of local audit results, although PSAA will publish information on results of auditors' work with local government bodies until current contracts end. After that, there is no clear or specific commitment to producing reports setting out the big picture across local government or health services.

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

In terms of performance management, the coalition government dismantled much of the performance management framework for local government, replacing centrally driven performance reporting and data requirements with sector self-regulation, transparency and local accountability. Following the abolition of national performance frameworks, local authorities and the LGA introduced an SLI approach to improvement (House of Commons 2011, Local Government Association 2011, Timmins and Gash 2014). This was 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; the role of the LGA is to provide tools and support ([LGA 2015](#), [2014b](#), [2011a](#)).

The LGA provided practical support to help local authorities make the most of the opportunities afforded by this improvement approach. This included support of a corporate nature such as

leadership programmes, peer challenge and a benchmarking service (LG Inform), plus programmes tailored to specific sectors – such as children's and adults' services, health, financial, culture, tourism, sport and planning services.

In terms of transparency, *the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012* introduced marginally greater transparency and access to local authority meetings. The *Local Government Transparency Code*, updated twice since its introduction ([DCLG 2015c](#)), 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 key inspections although there are no longer any external corporate inspections.

### **Informal or armchair auditing arrangements**

There has been a significant loss of capacity and capability concerning information and its interrogation, which is partially due to Audit Commission abolition and dismantling of performance management arrangements.

As previously mentioned, the army of 'armchair auditors' envisioned by the government has not materialised to fill the accountability deficit ([Ferry and Eckersley 2015b](#)). This created significant challenges for practitioners in being able to ascertain what programmes to undertake and in determining those providing value for money. The evidence base is diminished and so decisions become more open to opinion and political choice. A diverse range of information may be used by citizens to make a judgment (that is, if they bother) and there is relatively less independent evidence to refute or support such judgments.

The investigation and analysis of expenditure and performance information is still possible through DCLG's local authority statistics and CIPFA's financial and performance databases, although the latter is a subscriber-only service. Having said that, the collection, analysis, availability, transparency and interrogation of these data and other local authority statistics has become increasingly difficult since 2010. Primarily, this is due to the Audit Commission's operational research and evaluation capacity no longer existing. For example, numerous reports on local government, value for money, and improvement were produced by the Audit Commission between 1983 and 2010, with a more limited range between 2010 and 2015. As well as the abolition of the Audit Commission, there was also the earlier closure of the 'Improvement and Development Agency (I&DeA)' for local government which constrained capacity and capability. In addition, the DCLG's internal research and evaluation capacity underwent a significant reduction, as have external bodies. Even if this army of armchair auditors emerged, they would find it very difficult to draw meaningful conclusions and recommendations from the available raw data ([House of Commons Public Accounts Committee 2015](#)).

The development of operational research capacity and capability at the NAO has only partially compensated for the loss of capacity that previously existed across the other bodies. Historically there has been some independent academic research capacity in the management of local authorities, but as evidenced in the proceedings and minutes of the Public Administration Committee of the Joint Universities Council, academic research and teaching of public management in general has significantly declined over this period as reductions in public expenditure and increases in tuition fees in England have affected enrolments.

### **Austerity and cutback management**

The theory and practice of cutback management were adopted during the sustained period of austerity in England. This coupled with localism for English local government ([Lowndes and Pratchett 2012](#)) has challenged practitioners in the governance of their local authorities, the leadership of services, and strategic alignment of plans and delivery, especially those involving multiple partners. Practitioners must understand the pressures and risks associated with cutback management, but also make provision for governance, leadership and strategic alignment concerning the future when austerity recedes and value for money re-emerges.

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 to assist in good governance. This is important as maintaining and improving governance is a key responsibility of the council leader and head of paid service (chief executive officer or 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, statutory requirements are 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 regard to strategic alignment, DCLG awarded the CIPFA/SOLACE Framework 'proper practices' status through non-statutory guidance. As a result, local authorities have to prepare and publish an annual governance statement that accompanies the statement of accounts 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, whereby local authorities make their practices and structures open and explicit, mapping them against agreed best practices. This helps ensure strategic alignment of governance practices.

Good governance and strategic alignment enable a local authority's leadership to pursue its vision effectively and also underpins that vision with control and the management of risk. However, strategic alignment is under pressure as local government has been undergoing significant change in an increasingly complex environment of austerity localism. In addition to economic and financial sustainability challenges, the Localism Act and other legislation have brought new roles, opportunities and greater flexibility. 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, commissioning, outsourcing, local authority trading companies and by combined authorities. Strategic alignment is challenged by the introduction of these new structures and ways of working in terms of managing risk, ensuring transparency, and demonstrating accountability ([Shaoul et al. 2012](#)).

### **Constrained public reporting, scrutiny, and public assurance**

Public assurance of value for money became more difficult to establish due to the changes to performance management information that have meant reporting is more partial, scrutiny has become more variable, structures have changed, and quality assurance is receding with the demise of the professionalised performance audit. Intervention is still available via sector-led improvement

([Bennett et al. 2014](#)), but practitioners are implicitly expected to ensure arrangements are in place for mitigating shortfalls in reporting and scrutiny, and for working with the wider local government community in support of the SLI regime.

Financial information is now the sole focus of local authority financial reporting to central government. 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.

The statutory requirement for local authorities to produce performance reports for central government has not existed since 2010, although for local accountability purposes a small and diminishing minority of authorities still publish them. In addition, other central government departments sometimes attach specific conditions to individual funding streams or grants requiring local authorities to report how the money was spent.

The *Local Government Act 2000* established internal 'overview and scrutiny' committees as a counterbalance to the new executive structures created by that Act that 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 wanted – in which case they can operate overview and scrutiny committees if they so wish, but are not required to.

Working with other local public services through interagency and collaborative arrangements is also 'horizontally' scrutinised to a degree in local resilience forums, health and wellbeing boards and community safety partnerships. Services can also use CIPFA's interactive financial database and interrogative tools to benchmark with other bodies, regarding expenditure and budgeting.

Local authorities also manage processes of 'external scrutiny' through their committees looking at issues that lie outside the council's direct 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 proposed the creation of local public accounts committees to scrutinise the whole range of public spending within a given area ([Centre for Public Scrutiny 2018](#)) so this scrutiny gap can be addressed.

The Department of Health has prepared guidance to help local government and their partners in scrutinising public health services more effectively. However, because local authorities either 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 may be both a scrutineer and scrutinee of health services.

In many local authorities, the overview and scrutiny committees have separate staff and financial resources. However, annual surveys conducted by the Centre for Public Scrutiny indicate constantly diminishing resources over the last eight years ([Centre for Public Scrutiny 2015](#)). A call has been made from the centre for local authorities to 'up their game' concerning scrutiny following the scandal 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 and scrutiny (Grant Thornton 2015).

Ultimately, the political leadership of local authorities that fail to deliver for their local communities can be voted out by their electorate. However, there are also external systems in place for intervention should they fail to fulfil their functions regarding 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 coordinates the local government sector in providing peer support to local authorities (LGA 2014b). As a last resort, central government through the *Local Government Acts 1999* and *2003* still has powers to investigate and intervene.

A systematic approach has been put in place by the LGA to identify local authorities where 'preventative improvement support' could benefit them. To do so, the approach 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 2014b). Information sharing arrangements are in place between the LGA and government departments and the Inspectorates to ensure 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 focusing mainly 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, which were also abolished in 2011 by the coalition government (DCLG 2010).

The LGA can initiate a SLI process when an issue is identified. If a resolution cannot be found for the issue, or if there is a refusal from the local authority to engage with the improvement process, the Secretary of State can seek to ensure a robust evidence base through commissioning a corporate governance investigation. The personal authority to do this follows on from the Local Government Act 1999 and the Local Audit and Accountability Act 2014, which abolished the Audit Commission. These Acts also give the Secretary of State the power to direct local authorities to take actions, and ultimately to 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 government's experience of intervention in Doncaster (Le Grand et al. 2013), the DCLG developed a model for handling future interventions, which involved working closely with the local government sector. It is debatable whether SLI has been, or will be, more effective than central intervention, although even its strongest proponents in the LGA accept the latter must remain an option to incentivise local authorities to engage with the SLI and provide a fall-back position if the SLI proves insufficient (Bennett et al. 2014; Murphy and Jones 2016).

### **Placing value for money at risk**

As a consequence of the challenges of austerity localism, real potential value for money risks have surfaced for the financial sustainability and resilience of local government, coupled with significant changes to accountability and transparency arrangements. For instance, central control over local government revenue (grants, business rates and council tax) means an individual local authority has very limited ability to adapt to sudden increases in demand, plan robustly, or fill growing resource gaps. The introduction of indicative three-year funding agreements only mitigates the risks to a small extent providing some room for identifying where pressures may be absorbed, and a local authority's

ability to raise revenue through fees and charges or other sources of income is also limited to addressing problems at the margins. The NAO's 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 2014c).*

The *Local Audit and Accountability Act 2014* statutory requirements concentrate on annual financial reporting, which may hinder broader short, medium and long-term sustainable management of financial and other resources. Other parts of the performance management and/or public assurance regimes do not mitigate these risks, which could be perceived as a weakness of the current regime over previous performance and financial assurance arrangements.

Overall, then, the problem is compounded by the dismantling of centralised performance monitoring frameworks, comparable quality assured indicators and the abolition of 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 and capability to interrogate this data effectively. This obscures any risks associated with service performance, and means an informed judgment a local authority's 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.

### **Evaluation of accountability**

Local government is often considered the most obviously accountable public service because of the direct democratic interface that exists between citizens and the governing mechanisms. This is why there is a more significant body of research and writing on local government, and why it features strongly in the Public Administration and New Public Management literature.

English Local government encompasses (at the last count) some 650+ individual services, and quite a few of these operate in a fashion that is amenable to classical (private sector) managerialist philosophy: i.e. managed largely by focusing on interactions between consumer and service provider. As we have argued, this is appropriate for many services, and forms mode one of our four-mode model of accountability. Service management and satisfaction surveys are appropriate tools for managing a range of public services such as, say, libraries, or leisure services where direct comparison and competitors exist (Hodgkinson et al. 2017).

The focus on this chapter, and indeed this book, has not been on the traditional democratic accountability processes; those are more than adequately covered elsewhere (see, for example Behn 2001; Gray and Jenkins 1993; Mulgan 2000b; Svara 2001; Warren 2014). Our focus is on the understanding of what makes *public service accountability* a distinctive lens through which to understand English local government and beyond.

Our evaluative model provides a new perspective on the wide range of mechanisms imposed on, or 'suggested' to, local government. The wide range of services, the presence of direct democratic mechanisms, and the long history of local government reform have all contributed to a complex set of accountability arrangements.

And yet, the New Labour administrations made significant use of accountability mechanisms through the second mode – institutional comparisons – via overarching performance management frameworks including *Best Value* and associated performance indicators (DETR 1999, DTLR 2000), and institutional assessments such as *Comprehensive Performance Assessment* (CPA) (Audit Commission

2002, Audit Commission 2005, DTLR 2001) and *Comprehensive Area Assessment* (CAA) (Audit Commission 2009, Department of Communities and Local Government 2007). These institutional comparisons provided a limited but universal method of highlighting service performance between authorities, further enhanced by the use of statistical ‘nearest neighbours’ tools to optimise the appropriateness of comparisons.

This regulatory environment was accompanied by a push towards comparison and learning approaches, such as *Beacon Councils* (Rashman and Radnor 2005) or more general benchmarking (Magd and Curry 2003). Much of this overall reform trajectory was badged under the local government ‘modernisation’ agenda (Glennon *et al.* 2018). This modernisation agenda encompassed both service and democratic reforms.

Local government has a statutory *Best Value* duty, introduced in 2000 and reconfirmed in 2015, which requires it to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness” (Department of Communities and Local Government 2015b). This puts a clear emphasis on mode three, accountability as a mechanism for facilitating continuous improvement, with an emphasis on prospective assurance. However, the 2011 guidance also states in the foreword by Eric Pickles:

*“Local councils have been freed from excessive and prescriptive guidance and duties in return for a ‘social responsibility’ deal which asks that they continue to give support to local voluntary and community groups and small businesses” (Department of Communities and Local Government 2011a).*

Here, we see efforts to place local government in the fourth mode of service design – a loosening of ‘red tape’ to be accompanied by a more pluralistic role for the community and voluntary sector, culminating in *the Public Services (Social Value) Act 2012* (Department of Communities and Local Government 2012). Here, we see links to the burgeoning literature around public-service dominant logics (Alford 2016; Osborne *et al.* 2016; Radnor *et al.* 2016) and emerging New Public Governance (Osborne 2006, Osborne 2010, Skelcher 2004).

Local government has also been subject to legislation and guidance around electoral and democratic reforms (Department of Communities and Local Government 2011b, DTLR 2000); engagement with communities (Department of Communities and Local Government 2006, Department of Communities and Local Government 2008), and creating more open public services (Cabinet Office 2011, Cabinet Office 2014). As we have previously mentioned, these reforms need to be seen in the context of changes to the way English local government is assessed and reviewed. These included the abolition of the Audit Commission (Department of Communities and Local Government 2010c, Pickles 2013), the revised audit arrangements (Department of Communities and Local Government 2014) and the view that ‘armchair auditors’ would emerge to fill the gap (Department of Communities and Local Government 2011c). As we go to press, we are still waiting for this army of armchair auditors to contribute significantly to the holes left by the removal of professional audit.

As we have argued above, transparency and accountability are not completely synonymous, and the coalition government’s additional transparency fails to substitute adequately for accountability when it comes to the management of local government services. In part, we argue, this stems from a lack of capacity and capability in the armchair end of the auditing world, and both the preponderance of financial auditing and the deregulation of much of the performance assessment regime in local government. The impact of austerity on budgets (Local Government Association 2015a), and hence service levels, is also a dominant force in the way that sustainability in public services has become a key battleground for accountability. The inability to specify future outcomes (i.e. prospective

accountability) and the removal of much of the financial ring-fencing of local government budgets has challenged the way we perceive these essential public services and whether they deliver 'value for money' – itself a concept that would benefit from further consideration (McKevitt 2015); a cynical perspective might ponder whether this is coincidental or ideologically-driven.

Thus, we find ourselves facing a local government sector with fewer resources for delivery (both financial and human), increasing levels of demand for costly, individualised services around social care, and a minimal set of regulatory processes to understand how well those 650+ services are delivering. Recent examples have outlined some of the challenges facing local public services, and local government in particular, e.g. Northamptonshire County Council's declaration that the council will not be able to deliver a balanced budget (Northamptonshire County Council 2018). The risks of these challenges are perhaps inadequately understood at present and our findings suggest that this situation is likely to get worse.

Whilst early criticisms of the regulatory mechanisms of CPA and CAA are easily found (Broadbent 2003, McLean, Haubrich and Gutierrez-Romero 2007, Wilson 2004) and the use of performance management was clearly subject to some 'gaming' (Bevan and Hood 2006b; Radnor 2011), it is also clear that overall accountability to the public has been diminished by their removal. We would also contend that the removal of contractual-style forms of accountability, such as public service agreements and local public service agreements where central and local government agree on the achievement of specific targets in return for additional funding, similarly limit the scope of accountability.

Local government, therefore, presents us with somewhat of an oxymoron in relation to accountability. An enormously diverse range of accountability mechanisms can be deployed, while the sector aligns closely with the concept of accountability as a *virtue* (Bovens, Goodin and Schillemans 2014). Whilst New Labour reforms attempted to lock in performance outcomes to funding and regulatory assessments, post-2010 this has been significantly reduced. Whilst this reduction has been welcomed by some (Glennon 2017, Leach 2010, McLean, Haubrich and Gutierrez-Romero 2007), the longer-term impact of the scale of diluting performance accountability is yet to be understood, although it has clearly raised concerns at the NAO (2014a).

However, we contend that a more granular approach to embedding a variety of accountability mechanisms may yet help local authorities to hold conversations with communities, and to have a more constructive dialogue between political and managerial leadership within authorities. The success of this may well depend on how much effort can be placed into developing more prospective accountability mechanisms, and new approaches to service design that embrace citizen and service user relationships with managerial and political institutions.

## **Conclusion**

For English local government, this chapter has discussed five themes with regards to accountability and transparency arrangements. The themes speak to an important global debate beyond local government 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).

It is implicitly acknowledged in this chapter that professionalised accountability – through professionally qualified auditors - costs money and time. In advanced western liberal democracies, the perception is that transparency is relatively less expensive through the capacity and capability of

the internet to disseminate large quantities of data that citizens readily have access to for potential analytical exercises. It is, therefore, an attractive option in times of austerity and financial cutbacks for policymakers and practitioners to reduce professionalised accountability in terms of professionally qualified auditors as a means to save money and promote transparency as a surrogate.

However, an important point for policymakers, 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 and capability regarding 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. Additionally, any savings in the cost of professionalised audits reduction may be more than eaten up by reduced value for money.

It is easy to appreciate (if not agree with) how financial conformance has been allowed to become the main focus of a reduced professionalised accountability apparatus as part of cutback management under austerity, especially given the requirement on local authorities to have a balanced budget for revenue and expenditure. 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. The focus becomes the current financial position – and the ability to absorb and adapt financially – rather than a comprehensive view of performance.

Early intervention mechanisms 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).

Inevitably, any changes in accountability and transparency arrangements change the risk profile with regards to value for money. Operationally it is more difficult to meet unforeseen circumstances if funding arrangements have limited flexibility. The sustainable management of financial and other resources also becomes more difficult to ascertain when reporting focuses primarily on financial elements, when performance management arrangements are relatively weaker than what went before, and when information is insufficient and inadequate to make judgements about the robustness of value for money.

The discussion around the adequacy of accountability, transparency and public assurance arrangements must, therefore, be embraced by practitioners and policymakers alike. 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. Essentially, our view contends that in a liberal democracy, the assurance of the public that government is providing appropriate stewardship of public money is sacrosanct, but so should be value for money.

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