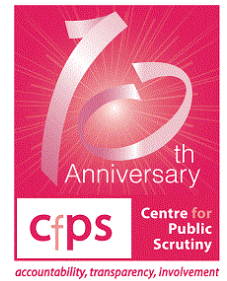


A Local Public Accounts Committee for every place: a proposal from CfPS



About CfPS

CfPS is an independent charity, widely regarded as the leading national voice for public scrutiny and accountability. At the heart of our work is the belief that public services should be transparent, inclusive and accountable.

We promote policy and provide wide ranging practical support. We work across government (for example with the Department of Health, Communities and Local Government, Home Office, Department of Work and Pensions), with the Local Government Association (who make an important contribution to our core costs in return for support for overview and scrutiny in local government) and with other stakeholders across the public sector. We have supported councils, NHS bodies and others individually and collectively through our comprehensive published guidance, on-line services, events and network of expert advisers.

Good scrutiny and accountability involve different people in different ways – citizens, patients and service users, councillors, inspectors and regulators. We have developed four mutually reinforcing principles, leading to improved public services, which need to be embedded at every level:

- constructive ‘critical friend’ challenge
- amplifying people’s voices and concerns
- led by independent lay people who take responsibility for their role
- driving improvement in public services



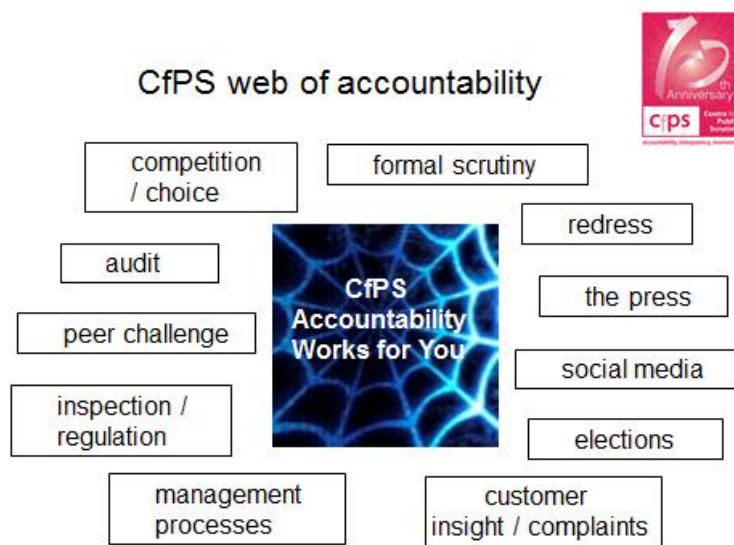
Delivering place-based accountability – a local Public Accounts Committee for every place

What do we mean by place-based accountability?

We have previously argued that accountability is more complex than the government’s view that: “Accountability is a good thing. But we believe it should point to the people who actually use and pay for public services.” (Decentralisation and Localism: an Essential Guide, 2010). CfPS believes that accountability does not operate in this linear fashion, either up to the centre or down to communities and service-users. We have used the following definition of accountability as a useful description of all the elements involved in making it real:

“A relationship between an actor and a forum, in which the actor has an obligation to explain and justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences.” (Bovens, Schillemans, ‘T Hart, 2008)

In fact, public servants operate in an increasingly complex and multi-faceted ‘web of accountability’, requiring them to be accountable or to give an account of themselves and their actions in a range of different forums.



(CfPS, Accountability Works, 2010)

Devolution of funding streams into place-based budgets spent by a number of partners acting jointly or individually according to a mutually agreed programme increases this complexity still further. Traditional notions of lines of accountability operating either internally from one service director to their organisation’s Board or council executive, or externally from one organisation’s accountable officer up to one Whitehall department’s accounting officer and thence to Parliament and the Public Accounts Committee, are simply not fit for purpose. The government has to some extent recognised this with the notion of ‘accountability system statements’ which each department has been required to produce setting out the system which operates underneath the department:

“It will be the simultaneous action of these different mechanisms of accountability acting on the different organisations involved in the commissioning and provision of a public service that will ensure the accountability of the system as a whole.” (Open Public Service White Paper, 2011)

However, if there is to be further devolution into place-based finance, as we believe there should be, we believe that local places need their own ‘accountability systems’, accountable and transparent to local people and operating at local level.

We suggest that having **powerful, independent, local Public Accounts Committees**, with oversight over all public expenditure in the local area, would provide crucial assurance to central government that funding and freedom to spend it in accordance with locally agreed plans can safely be devolved further. We have developed some initial thoughts on how this might work (set out below) but are open to working with others to develop these thoughts further, and welcome comments on whether what we suggest could be workable in practice.

We believe there could be many benefits from creating better place-based accountability. Some include:

- Reassurance to central government that devolved finance will be properly scrutinised and accounted for;
- Stronger public scrutiny and accountability for partnerships and joint or pooled budgets, with a single, visible place where the public can go to find out how money is being spent and to challenge outcomes;
- More opportunities for public engagement: going beyond simple publication of expenditure spreadsheets to provide a forum where such information can be interrogated and analysed and the voice of the public brought in to bring the figures to life. Publication of expenditure over £500 tells you what money was spent, but it does not tell you what the outcome was or what value for money was obtained: that requires context, analysis and service-user feedback;
- A link between local accountability and national accountability, with the ability for the national Public Accounts Committee and National Audit Office to draw on evidence from local Public Accounts Committees to inform national PAC inquiries and support its challenge to Whitehall and national agencies;
- Potential to streamline governance and accountability arrangements at local level, to remove duplication whereby all local agencies in a partnership need to assure themselves that funding is being appropriately spent, and end the need for multiple reporting lines for the same piece of expenditure;
- Potential to extract more value from external audit procurement, with auditors being expected to support local PACs and provide value for money analysis: the planned sector-owned national procurement body could oversee these arrangements and carry out national value for money analysis and comparisons;
- Potential to link governance and financial accountability of partnership arrangements more closely into established democratically accountable systems, addressing the democratic deficit and weaknesses in governance that have previously been identified as a concern relating to partnership-working (see for example Audit Commission, *Governing Partnerships: bridging the accountability gap*, 2005, and several pieces of research by Professor Chris Skelcher at INLOGOV).

How a local PAC could work

The local PAC should have the **power to scrutinise all public expenditure in a local area** (with reservations for national policymaking - eg around defence and security, some aspects of work and

pensions and any other areas where policy-making is wholly centralised). This power could be framed in three ways:

1. The right to have access to any papers or information held by anybody involved in delivering public services and to require representatives to attend meetings to give evidence, using the FOI Act definition around 'delivering functions of a public nature' to determine who might be covered by this right;
2. An 'enter and view' power over any organisation delivering publicly funded services, using the same definition - a right to access real-time management information, and to directly access and talk to managers and service users (this power is held by local Healthwatch organisations, who can 'enter and view' health and social care providers to fulfil their patient and public involvement responsibilities, with clear regulations governing the power to prevent its abuse);
3. A power to use this evidence to make recommendations to any local public service commissioner or provider to which the commissioner / provider would be obliged to respond saying which recommendations they accept and what they plan to do in response, and if they do not accept the recommendations giving reasons why not. The local PAC would have the right to refer any refusal to implement a recommendation they regard as crucial for good governance and value for money to the national PAC for determination or further investigation (the right of health scrutiny committees to refer service reconfigurations to the Secretary of State via the Independent Reconfiguration Panel is a good model, whose use by HOSCs has been well-regarded by the IRP and DOH).

We envisage the local PAC's principal focus being on the value for money achieved by the combined spending of public money in the local area, with a particular remit to assess whether planned outcomes are being achieved through partnership-working and pooled or joint budgets agreed under place-based finance arrangements. We see it being **able to refer matters up to the national PAC and NAO** if systemic or national issues emerge from local challenge and scrutiny or if, for example, problems seem to arise from flaws in national policy rather than local implementation.

There should be a **close relationship between the external auditor(s) for an area and the PAC**, with perhaps a lead auditor (comparable to a local version of the national Comptroller and Auditor General) responsible for convening a local Audit Board to ensure coordination and remove duplication in local audit and value for money work in a local area. The local lead auditor for a place could have a direct relationship to the national CandAG to report major probity or audit concerns or issues relating to national governance rather than local.

This would all strengthen the ability of the PAC and NAO to genuinely track the taxpayers' pound in a more devolved system by providing a clear system for gathering and assessing this information at local level and a mechanism for feeding it back. Currently it is debateable how clear the line of sight really is and how much in-depth scrutiny one committee (however tenacious and focused on protecting the public interest) can provide of the whole system. In a more devolved system, it will become even harder for the old system of accounting officers responsible to parliament for everything that goes on their department to function effectively and with genuine accountability or transparency to the public.

The local Audit Boards could also have a relationship with the national sector-owned body being proposed by LGA to take over national procurement of external audit contracts, which would enable it to draw together national themes around value for money that may be emerging and could inform sector-led improvement priorities in relation to corporate governance and value for money issues.

2.3 Composition

The local PAC would be chaired by a sitting councillor from the area and would have a majority councillor membership reflecting, broadly, local political proportionality, although the presumption should be that all decisions would be reached through consensus, and the focus in determining membership should be expertise and the ability to command respect across the area. Other members would be non-executives from other partner bodies (NHS Trust non-executive directors, members of local college or university governing bodies and potentially governors from key local schools, CCG lay members, Police and Crime Panel independent members). Partner agencies would nominate their own non-executives but there could be a role profile and potentially public hearings to determine the most appropriate appointments (perhaps overseen by the local Independent Remuneration Panel). There could also be provision for lay representation from the general public, perhaps drawn from a local citizens' panel or through a requirement that any review of a service must have representation from service-users or relevant user-led organisations.

The local PAC coverage would be based on the largest electoral division in the area (ie counties in two-tier areas, unitaries elsewhere), unless there are cross-boundary agreements for place-based budgets such as City Regions and Combined Authorities, in which case the PAC would reflect those areas. In the absence of full devolution of place-based budgets across the country, we would argue that individual arrangements such as City Regions or Combined Authorities should be expected to set up local PACs as part of their governance arrangements: this could be a transitional arrangement to pilot the approach until such time as there is more comprehensive devolution of place-based finance.

Detailed scrutiny of the value for money, performance and impact of place-based finance agreements would actually be carried out through task and finish groups or sub-committees with the PAC itself holding formal evidence hearings with key local partners but the task and finish groups providing the evidence for that work. These task and finish groups could bring in other local councillors and/or other appointees based on skills, but again maintaining a majority of elected councillors to retain the democratic link. Local PACs would not need to be local government bodies (in the 1972 Act sense) and could have a separate legal personality: this would reassure people about their independence and that this was not local government attempting to take over the governance of other partners (although arguably the creation of Health and Well-being Boards as formal council committees already does something similar).

In the formal hearing sessions we envisage a **role for local MPs** to contribute valuable evidence about the impact of policies and services on their constituents and take part in the debate on local impacts of public funding. For example, MPs could have a standing invitation or right to attend to give evidence at formal full committee meetings, or to supply written evidence from casework etc to draw on in

challenging commissioners and providers. This collaboration would also provide a useful local evidence base for MPs to consider when fulfilling their roles in Parliament, whether voting on the Budget or scrutinising departmental expenditure and policies through select committees, and engage more MPs in the scrutiny process than can be possible through the national PAC. We have thought about whether MPs should sit on the PAC itself as members but consider that this could have practical / logistical problems in terms of managing the committees' work against MPs' primary responsibilities in Westminster as well as potentially confusing electoral mandates and roles. However, we believe that more devolution requires stronger links and collaboration between national and local scrutiny and consider that hearing MPs' views as part of local PAC work and enabling them to draw on local PAC findings to support their national work could be extremely valuable.

How would it be paid for?

We can see two main sources of funding and it is important to acknowledge that this cannot be done for nothing and nor should all the costs be met from local government budgets. However, we can also see compensating savings as partners could streamline their internal governance and accountability processes the more they act jointly. One source could be a top-slice from the national NAO budget on the basis that these local PACs and associated officer support (including existing local external auditor costs) would be carrying out some of the assurance work previously carried out at national level by the NAO. The second source could be through a direct precept on the council tax.

A direct precept would a) ensure local PACs would be directly accountable to local people for their work, and b) secure financial independence for PACs and ensure that their work is not subject to negotiating agreement from a complex web of partners. In an area with 35,000 households paying council tax, based on the current average Band D bill (£1,444), a quarter of a million pounds could be provided to support each PAC from £7.14 extra as a precept, 0.49% of the total average Band D bill. If the places covered were of larger size eg for a Combined Authority, the precept could obviously be less as there would be economies of scale. A precept of this level could pay for three-four full time staff on modest pay plus accommodation costs. In addition, if all partners contributed some of their external audit contracted hours this could provide further independent financial expertise and support to the PAC.

We believe that such a local PAC could knit together the web of accountability by linking all the various non-executive and governance functions together in a place to provide a single point of public accountability, highly visible to the public and able to build up trust for independent challenge and public reporting on all the public money spent in a local area. Services and expenditure wholly within a single organisation would remain governed by existing governance and accountability arrangements but these could potentially be gradually slimmed down in recognition that there would ultimately be less of this kind of solo expenditure. The local PAC approach is designed on the assumption that more and more services are going to be commissioned and delivered in partnership across a local place, and that this should therefore become the focus for public accountability.

Conclusion

Local government will have an important role helping local people to navigate the increasingly complex and pressured public service landscape in the next ten years. Elected councillors will be able to provide a highly-visible source of accountability for wider, strategic issues arising from the increase in choice, personalisation and more complex delivery partnerships. Councillors should be people's voice to services rather than services' voices to people. To achieve the ambition of greater devolution of finance and flexibility to spend budgets across the silos set by Whitehall departmental empires, local government must be able to demonstrate that it is credible in terms of delivery and can provide effective governance and accountability to reassure Parliament: we believe that our local Public Accounts Committee offers a potential strong model to develop further. If local government is using its democratic mandate to argue for its right for more powers and flexibility to lead its place, councils must also ensure their democracy is as healthy as possible: this means investing in and supporting elected councillors and working with local parties and others to refresh the councillor cadre to be fit for purpose for the next decade and beyond.

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