

**A Comparative Review of
Financial Sustainability, Accountability and Transparency of
Local Public Service Bodies in England
Under Austerity**

By

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Abbreviations

Arms-Length Bodies (ALB)
Association of Chief Police Officers (ACPO)
Association of Police Authorities (APA)
Care Quality Commission (CQC)
Chartered Institute of Public Finance and Accountancy (CIPFA)
Chief Fire Officer (CFO)
Chief Fire Officers Association (CFOA)
Chief Fire and Rescue Advisor (CFRA)
Clinical Commissioning Groups (CCGs)
Comprehensive Area Assessment (CAA)
Compulsory Competitive Tendering (CCT)
Comprehensive Performance Assessment (CPA)
Departmental Expenditure Limit (DEL)
Department for Communities and Local Government (DCLG)
Department of Health (DoH)
Fire and Rescue Authorities (FRA)
Fire and Rescue Services (FRS)
General Practitioner (GP)
Greater London Authority (GLA)
Health and Social Care Information Centre (HSCIC)
Her Majesty's Inspectorate of Constabulary (HMIC)
Integrated Risk Management Planning (IRMP)
Key Lines of Enquiry (KLoE)
Local Area Agreements (LAA)
Local Authorities (LA)
Local Government Association (LGA)
Local Public Accounts Committees (LPAC)
National Audit Office (NAO)
National Health Service (NHS)
National Institute for Health Service Excellence (NICE)
Public Accounts Committee (PAC)
Police Effectiveness Efficiency Legitimacy (PEEL)

Private Finance Initiative (PFI)
Public Private Partnership (PPP)
Police and Crime Commissioners (PCC)
Police and Crime Panels (PCP)
Public Service Agreement (PSA)
Public Sector Audit Appointments Limited (PSAA)
Risk Assessment Frameworks (RAF)
Sector Led Improvement (SLI)
Society of Local Authority Chief Executives (SOLACE)

Executive Summary

A gap exists in understanding the role of accountability (including audit and performance management) and transparency arrangements for different local public service bodies in the context of austerity. To address the gap the National Audit Office (NAO) is developing an evaluative framework to inform its value for money work on the financial sustainability of local public service bodies in England. To support this work, this comparative report looks at the interaction between accountability and transparency arrangements and austerity for local public services in England including local government, fire and rescue, police, and healthcare. The report found considerable variations in current arrangements and as a result considerable scope for potential improvements.

Key Words: Accountability, Transparency, Audit, Performance Management, Regulation, Local Public Service Bodies, England

Section 1 Introduction

Since the global financial crisis in 2008, relations between central government and local public service bodies in England have been dominated by austerity and the implications for budgets and performance. Shortly after taking office in 2010, the Coalition government announced the abolition of the Audit Commission, a body that had been involved in financial audit and performance management arrangements for local public service bodies such as local government, fire and rescue, police and health services since the early 1980s. In its place, the government introduced a host of new accountability arrangements and transferred some of the Audit Commission's duties to the NAO. However, these reforms coincided with the introduction of austerity measures, which resulted in significant funding reductions and structural changes to the way local public service bodies operate. This in turn has raised a considerable number of specific issues around financial sustainability, value for money and assurance of local public service bodies, and particularly questions around accountability and transparency arrangements.

As such, a gap exists in understanding the role of accountability (including audit and performance management) and transparency arrangements for different local public service bodies in the context of austerity. To address the gap the NAO is seeking to develop a generic evaluative framework to inform its value for money work on the financial sustainability of local public service bodies in England.

To support this work, the NAO has commissioned this comparative review of literature and practice, which provides an overview of the role of audit and assurance regimes for different local public service bodies in the context of austerity. The purpose of this report is to focus on the interaction between accountability and transparency arrangements and austerity for local public services in England.

Section 1 has provided an introduction. Following that, the report will look at each of four local public services or sectors separately. Section 2 will cover local government, section 3 will cover fire and rescue services, section 4 will cover local police bodies, and section 5 will cover local healthcare.

Sections 2-5 will be structured around key themes and questions for comparative purposes. The themes will include accountability and transparency arrangements; information and its

interrogation; governance, leadership and strategic alignment; reporting, scrutiny and intervention; and potential value for money risks.

Section 6 will draw lessons from each of these sectors together, by setting out their key themes, commonalities and differences, concluding with an overview of the report's key findings. The findings will detail that there is considerable variation in current arrangements and as a result considerable scope for potential improvements. Some of the main points that will be made are:

- The accountability and transparency arrangements differ between the public bodies and the development of any generic evaluative framework will need to reflect or allow for the significant differences and nuanced complexities of the organisations in the different sectors.
- Since 2010 the audit arrangements mainly focus on financial conformance rather than operational performance.
- Over the same period central government reforms primarily aimed to increase the transparency of local bodies.
- The decline in the production of performance management information across the public bodies (with the exception of the health service) makes it difficult to assess value for money is being achieved and reflected in decision making.
- The risk profile of public bodies has changed, due to a number of factors not least from budgetary constraints, and service delivery becoming more reliant on more diverse partnerships and joint working arrangements (and volunteer assistance).

Section 2 Local Government

This section on Local Government covers:

- review of accountability and transparency literature,
- accountability and transparency arrangements,
- information and its interrogation,
- governance, leadership and strategic alignment,
- reporting, scrutiny and intervention, and
- potential value for money risks.

2.1 Review of Accountability and Transparency Literature

Power and control is contested in central and local government relations over service determination, performance management and funding arrangements (Rhodes, 1981, 1999; Wilson and Game, 2011).

During the 1980's to 2010 successive central governments (Conservative and New Labour) centralized accountability arrangements through the Audit Commission, audit, and performance management regimes including Compulsory Competitive Tendering (CCT), Best Value, Comprehensive Performance Assessment (CPA) and Comprehensive Area Assessment (CAA) (Seal, 1999, 2003; Seal and Ball, 2005, 2006, 2011). In particular, studies have looked at the performance improvement potential of CPA (Woods and Grubnic, 2008; Murphy, Greenhalgh and Jones, 2011), and more specifically at the Use of Resources assessments that formed part of both CPA and CAA (Abu Hasan, Frecknall Hughes, Heald and Hodges, 2013). In addition, more broadly research has looked at how competition was manufactured through rankings (Kornberger and Carter, 2010).

There has also been a gradual centralisation of funding that has not abated since the poll tax was withdrawn in the early 1990's, and England has become the country with the most central control over local government funds of the major Western European Countries (Ferry, Eckersley and van Dooren, 2015).

Since 2010, the Conservative led Coalition Government has embraced a policy of ‘austerity localism’ (Lowndes and Pratchett, 2012), and undertaken governing and budgeting for deficit reduction through changes to the spending reviews, budget, and audit and accountability arrangements (Ferry and Eckersley, 2011, 2012, 2015a). For example, reforms such as the Localism Act 2011 have given Local Authorities (LAs) greater autonomy over spending decisions but not local revenue generation. Other changes have seen the abolition of the Audit Commission and the abandonment of performance management frameworks and performance audit that has meant that LAs are less concerned with service outputs and outcomes than was previously the case (Timmins and Gash, 2014).

The Local Audit and Accountability Act 2014 confirmed that future LA audits would be overseen centrally by the NAO and focus solely on financial management, but have no performance assessment (Ellwood, 2014). This makes *‘financial conformance’* rather than *‘operational performance’* the overriding focus, and ostensibly weakens local accountability because it obscures the potential impact of austerity cuts (Ferry and Eckersley, 2015a). Partly, the accountability deficit for performance at an *‘individual’* LA level is addressed through the NAO (2014) value for money report on ‘financial sustainability’ but the lack or inadequacy of performance information available to use, makes assessing the value for money aspects of financial sustainability an increasing challenge (if even a realistic prospect!). In some ways the NAO are essentially reduced to highlighting the risks that certain LAs may not be able to set a balanced budget or fulfil statutory duties, potentially leading to central government intervention.

The NAO can, and do, also raise very important public accountability concerns such as that the Department for Communities and Local Government (DCLG) do not have the arrangements in place to monitor how funds transferred to other Whitehall departments are employed, or how well LAs utilize their allocations. Essentially, the new accountability and audit arrangements let us know if the DCLG and LAs are spending within budget, but not what value the public are getting for their money.

In addition, in a wider sense, changing delivery mechanisms have created much more complex accountability relationships (Shaoul, Shepherd, Stafford and Stapleton, 2013; NAO 2014), and LAs have recognised that their traditional organisational remit and funding arrangements have to change thus altering the risk profile (Ferry, Coombs and Eckersley, in press).

The transparency agenda led to ministerial claims that ‘armchair auditors’ would fill the accountability void created by the closure of the Audit Commission and the abandonment of performance audit although, as yet there is no systematic evidence of their impact or even of their existence. To the contrary informal, anecdotal and ad hoc investigations of contemporary use of Freedom of Information requests suggest the continuing dominance of unsophisticated inquiries from members of the public and continuing use by the media in association with publicity driven campaigns, an experience which mirrors similar experience in the USA. The result is that LAs are not robustly assessed on the quality of service outputs and outcomes (Eckersley, Ferry and Zakaria, 2014). This combined with austerity has reinforced the principle that holding down input costs through an over-riding focus on budgetary stewardship is the most important managerial objective within LAs, which means that there is very little scope for officers to innovate or try new ideas (Ferry, Coombs and Eckersley, in press).

In effect, the transparency agenda forms mere apologia and is no substitute for the accountability that can be afforded by independent professional auditors assessing performance (Ferry, Eckersley and Zakaria, 2015). However, it is important to caution here that this need not always be the case as context and culture can play a role alongside other contingent variables (See Hood and Heald, 2006; Hood, 2010; Etzioni, 2014; Ferry and Eckersley, 2015b).

Although the public do not appear to be ready to embrace the auditor role on spent funds, policy contestation is being influenced and in some cases changed through social movements, political protests, citizen participation and other bottom up grassroots initiatives (Ball and Seal, 2005), especially under the recent austerity localism that led to various co-option strategies (Ahrens and Ferry, in press).

Furthermore, with regards to local governance, research has found production of data is deeply entangled in the modes and means of its production (Wilson et al 2011, Wilson et al 2013). There is a 'moral economy' of information as it is not 'just' data and therefore who is accounting for what, to whom, and in what context is a key question that cannot be sidestepped. The role of the view from somewhere rather than a presumption that somehow an artificial and objective view from nowhere can be formulated is problematic and it has to be acknowledged that information if it is to have utility to communities of place, or be of interest, needs to be interpreted (Cornford et al. 2013).

In summary, accountability arrangements in local government in England have reduced and not been adequately replaced by transparency initiatives. Research from elsewhere however suggests that over the longer term some performance information use will be re-introduced as financial stress eases and the focus once again shifts to value for money and not merely cutback management (Raudla, Savi, and Liedemann, 2013; Moynihan 2008; Wildavsky 1975).

2.2 Accountability and Transparency Arrangements

The Secretary of State is accountable to Parliament for the local government service in England, and is supported in this stewardship role by the DCLG. The DCLG Accounting Officer is accountable to Parliament for the stewardship of resources allocated to LAs and the Greater London Authority (GLA). There are processes for the Accounting Officer at DCLG to provide assurance to Parliament that grants made by the DCLG are properly accounted for by LAs, ensuring regularity, propriety and value for money.

Other central government departments that provide funding to LAs also have Accounting Officers, who are accountable for the distribution of resources from their budgets to LAs to support service delivery in their policy areas. They also advise the Secretary of State on the use of intervention powers. In addition, various other central government departments are responsible for policies that are ultimately delivered by LAs: they have introduced additional accountability arrangements for these services and are responsible for their functioning. These other departments include:

- Department for Education – Education and Children’s Services,
- Department of Health (DoH) – Adult Social Care and Public Health,
- Department for Transport – Transport, and
- Department for Environment, Food and Rural Affairs – Waste.

LAs are established in statute, responsible to their electorate for the spending decisions they make, and have responsibilities mainly covered by a framework of legal duties which set out what they must do and set checks and balances on their actions. These duties include the role of officers and councillors, and accountability to the public. The core accountability system is largely based on the application of these legal duties.

Funding of the service is through the DCLG's Settlement Funding Assessment, a share of the business rates under the new rates retention scheme, Council Tax, and fees and charges from services. The majority of central funding for local government is not subject to ring-fencing. The two major exceptions are schools funding from the Department of Education and the new Public Health grant from the DoH. However, LAs receive most of their funding from central government, and are severely restricted in their ability to raise Council Tax – the only major source of revenue raised locally.

In addition, LAs are subject to strict financial controls and accountable to the public. The principal local checks on regularity and propriety cover clarity about who is responsible for resources, a set of financial duties and rules that require prudence in spending, internal checks that the rules are being followed, and external checks by an independent auditor.

Audit arrangements are subject to the Local Audit and Accountability Act 2014, which repealed the Audit Commission Act 1998 and reformed the processes for performance and financial audit of local government. These reforms included abolishing the Local Government Standards Board regime, the Audit Commission (which closed on 31st March 2015) and transferring 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, due to start after the Commission's current contracts with audit suppliers end in 2016/17, or potentially in 2019/20 if all the contracts are extended. A transitional body, Public Sector Audit Appointments Limited (PSAA), will oversee the contracts in the intervening period. The NAO will produce the code of practice and supporting guidelines for LAs, as well as enhance its existing value for money studies by conducting a small number of reports into local public service delivery.

The Local Audit and Accountability Act 2014 also provides for the Audit Commission's data matching powers and the National Fraud Initiative to transfer to the Cabinet Office. The Audit Commission's counter-fraud function will transfer to a new public sector 'Counter Fraud Centre' to be established by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Once the transitional audit arrangements come to an end, local public sector bodies will have the power to appoint their own auditors. However, the Local Government Association (LGA) successfully lobbied for a change to the Act, as a result of which local bodies can collaborate and continue to procure audit at a national level. This means that each audited body will not have to establish its own independent audit appointments panel. DCLG has consulted on the details of the arrangements and published draft secondary legislation that will underpin the objectives set out in the Local Audit and Accountability Act 2014. The draft Local Audit Regulations were published in June 2014.

The changes to the audit arrangements require LAs to adjust to dealing with a wider range of organisations than at present, including PSAA, NAO, the Cabinet Office and the DCLG. LAs will have to liaise with government departments, regulators and auditors about various issues previously dealt with or coordinated by the Audit Commission. It is not clear, for example, who will investigate complaints against auditors or their fees after the Audit Commission closes.

The Local Audit and Accountability Act 2014 does not provide for the national collation and reporting of the results of local audits, although PSAA will publish information on the results of auditors' work with local government bodies until current contracts come to an end. After that, there has been no clear or specific commitment to produce reports setting out the big picture across local government or health services.

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

In terms of performance management, the Coalition Government has dismantled much of the performance management framework for local government, replacing centrally driven performance reporting and data requirements in favour of sector self-regulation, transparency and local accountability.

Following the abolition of national performance frameworks, LAs and the LGA introduced a 'Sector Led Improvement' (SLI) approach to improvement. This is based on four underlying

principles: LAs are responsible for their own performance; LAs should be accountable locally not nationally; there is a sense of collective responsibility for the performance of the sector as a whole, and the role of the LGA is to provide tools and support.

The LGA offers a range of practical support to encourage and enable LAs to exploit the opportunities that this approach to improvement provides. This includes support of a corporate nature such as leadership programmes, peer challenge, LG Inform (the LGA benchmarking service), as well as programmes tailored to specific sectors – such as children's, adults, health, care, financial, culture, tourism, sport and planning services.

With regards to transparency, the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 introduced greater transparency and openness into meetings. As a result, citizens can only be refused entry to meetings in limited circumstances, and they must be able to access documents relating to meetings and executive decisions.

In addition, DCLG's Code of Recommended Practice on Data Transparency, also known as the Local Government Transparency Code 2014, lists a range of datasets that LAs 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, including the officer's name (with consent), job description, responsibilities, budgets and number of staff. In addition, it includes 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 covers key inspections and key indicators on fiscal and financial position.

The Code does not replace or supersede the existing legal framework for access to and re-use of public sector information. This framework is set out in the Freedom of Information Act 2000 (as amended by the Protection of Freedoms Act 2012), Environmental Information Regulations 2004, re-use of Public Sector Information Regulations 2005, Infrastructure for Spatial Information in the European Community Regulations 2009, and Section 15 of the Audit Commission Act 1998 that provides a right for individuals to inspect a LAs accounting records and supporting documentation, and to make copies of them, for a limited period each year.

Finally, the Localism Act 2011 requires LAs to be open in their approach to pay. Sections 38-43 of the Act stipulate that they must publish a ‘Pay Policy Statement’ and any decision taken on pay must reflect the current Pay Policy.

2.3 Information and its Interrogation

DCLG’s LA statistics and CIPFA’s financial and performance databases allow for investigation and analysis of expenditure and performance information, although the latter is only available to subscribers.

However, the collection, analysis, availability, transparency and interrogation of these data and other LA statistics has become increasingly difficult since 2010 (Transparency International, 2013). This largely results from the loss of the Audit Commission’s, inspectorates and other regulators and improvement agencies, operational research and evaluation capacity. For example the Audit Commission produced numerous reports on local government, value for money and improvement between 1983 and 2010. This follows on from the earlier closure of the Improvement and Development Agency, which itself had a considerable database although some of the latter have been transferred to the LGA website. These databases and reports were however predominantly made available on interactive websites with interrogation tools and functionality freely available to scrutineers and researchers. When these were closed and the files passed to the National Archives, the latter does not maintain either the functionality nor the integrity nor the full coverage of the record. It provides only a sample snapshot of the website at a particular time and the ability to access and research the vast collection of individual reports on individual authorities or groups of authorities has become immeasurably more difficult if not virtually impossible.

In addition, there has been a significant reduction in DCLG’s research and evaluation capacity, as well as that of external bodies. Although ministers argued initially that volunteer ‘armchair auditors’ would step into the gap created by the Audit Commission’s abolition and analyse the data published under transparency requirements, this has not proved to be the case and there is neither a single (nor multiple) archive(s) in the public domain where the information is brought together, nor any tools and techniques developed and publically available for interpreting or interrogating the ‘raw’ information if it was. Even if this army of volunteer researchers had emerged, the Public Accounts Committee (PAC) (2014) highlighted that there is no evidence

that they would be able to draw meaningful conclusions and recommendations from the raw data that has become available.

The loss of capacity has only been partially compensated for by the development of operational research capacity and capability at the NAO. Historically there has been some independent academic research capacity in the management of LAs. However, like public management academic research and teaching in general, it is under pressure and significantly declining – as evidenced by the Public Administration Committee of the Joint Universities Council.

2.4 Governance, Leadership and Strategic Alignment

To assist good governance, 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.

Good governance is important to all involved in local government and maintaining and improving governance is a key responsibility of the Leader of the Council and the Head of Paid Service (chief executive or their equivalent). There are also designated statutory roles and responsibilities for the LA's Chief Executive Officer, Chief Financial Officer and the Monitoring Officer. The LA is legally obliged to maintain a balanced budget and the Chief Financial Officer discharges this statutory function. Additionally, there are statutory requirements 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 regards to strategic alignment, DCLG awarded the CIPFA/SOLACE Framework 'proper practices' status through non-statutory guidance. As a result, LAs must prepare and publish an annual governance statement to accompany the statement of accounts in order 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 LAs 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. Therefore, these statements follow a standardised template set out in the framework, in which LAs make their practices and structures open and explicit, and map them against agreed best practice. This helps to ensure that governance practices are strategically aligned.

Good governance enables a LA leadership to pursue its vision effectively, and also underpins that vision with control and the management of risk for strategic alignment. However, that strategic alignment is under pressure, because local government has been undergoing significant change in an increasingly complex environment. In addition to economic and financial sustainability challenges, the Localism Act and other legislation has brought new roles, opportunities and greater flexibility. Furthermore, LAs have been changing their models of service delivery for some time; local public services are now delivered directly, through partnerships, collaboration, and commissioning, and by combined authorities. The introduction of new structures and ways of working provide challenges for strategic alignment in managing risk, ensuring transparency, and demonstrating accountability.

2.5 Reporting, Scrutiny and Intervention

LA financial reporting to central government now focuses solely on financial information. These reports are based on the statutory requirement for LAs 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 also 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. Since 2010 there has been no statutory requirement for LAs to produce performance reports for central government, although some authorities still publish them for local accountability purposes.

In addition, other central government departments sometimes attach specific conditions to funding streams, in which case they often require LAs to report back on how the money was spent.

Internal ‘overview and scrutiny’ committees were established by the Local Government Act 2000. They were intended as a counterweight to the new executive structures created by that Act, which required LAs 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 required to have at least one overview and scrutiny committee that is independent of the executive. This Act also permitted councils to revert to the previous committee system if they so wished – in which case they can operate overview and scrutiny committees if they choose, but they are not required to do so.

Scrutiny is exercised at the local level through regulations and practices. Inter-agency and collaborative working with other local public services is also ‘horizontally’ scrutinised to a degree. This is in Local Resilience Forums (although the former Regional Resilience Forums have been abolished), Health and Wellbeing Boards, which are still relatively immature and untested as scrutiny bodies, and Community Safety Partnerships. In terms of expenditure and budgeting, services can also use CIPFA’s interactive financial database and interrogative tools to benchmark with other bodies.

LAs also manage processes of ‘external scrutiny’, in that their committees look at issues which lie outside the council’s responsibilities. For example, specific powers exist to scrutinise health bodies; crime and disorder partnerships; Police and Crime Commissioners (PCCs); and flood risk management authorities. In the context of multiple collaborative arrangements and proposals for further devolution of powers to LAs, the Centre for Public Scrutiny has proposed the creation of Local Public Accounts Committees (LPACs) to scrutinise the whole range of public spending within a given area, although the idea is as yet undeveloped.

In terms of the health sector, the People, Communities and Local Government Division of the DoH prepared the LA Health Scrutiny Guidance to help LAs and their partners scrutinise these services effectively. However, because LAs 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, LAs may be both scrutineer and scrutinee of health services. Although this is not a new situation, it is nonetheless important to bear in mind possible conflicts of interest when making arrangements for the scrutiny of LAs’ own role in health provision. The accountability,

transparency and scrutiny arrangements for the new ‘Combined authorities’ and particularly the proposed devolution of significant health budgets to the Greater Manchester area will be particularly challenging.

Many LAs have separate staff and financial resources for overview and scrutiny committees, although annual surveys conducted by the Centre for Public Scrutiny indicate that the function has suffered from resource constraints in recent years. Indeed, the Centre has called on LAs to ‘up their game’ in respect of scrutiny following the recent scandal associated with children’s services in Rotherham. In addition, a recent report found wide variation across England in terms of the number of meetings held by overview and scrutiny committees, and highlighted concerns from council officers and councillors that they do not provide sufficient interrogation (Grant Thornton, 2015).

Ultimately, LAs that fail to deliver for their local communities can be voted out by their electorate. However, there are a number of external systems in place for intervention should they fail to fulfil their functions in terms of the 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 LA, the LGA is co-ordinating the local government sector in providing peer support to LAs. As a last resort, central government still has powers to investigate and intervene.

The LGA has an approach to ‘identify’ LAs that could benefit from ‘preventative improvement support’, but it is debateable whether this approach is actually effective and delivers against its objectives.

The LGA 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. Information sharing arrangements are in place between the LGA and government departments and the Inspectorates to ensure that the LGA has the intelligence to focus support. In addition, the LGA meets regularly with the DCLG and each party will share intelligence about performance concerns and to assess the progress of sector 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 LAs - offer senior level engagement with each LA area. This arrangement is separate from performance considerations and focuses largely on policy and implementation. However, information from the arrangement is 'shared where appropriate'.

Once an issue has been identified the LGA can initiate a SLI. If the issue cannot be resolved, or if a LA refused to engage with the SLI, the Secretary of State could commission a corporate governance investigation to ensure a robust evidence base. The personal authority to do this follows on from the Local Government Act 1999, and the Local Audit and Accountability Act 2014 that abolished the Audit Commission. These Acts also give the Secretary of State the power to direct LAs to take actions, and ultimately direct another body to take over specific functions of a LA, if the authority is unwilling to engage with the LGA in light of the evidence gathered after an investigation.

Following its recent experience of intervening in Doncaster, the DCLG has developed a model for handling future interventions, which involves working closely with the local government sector. A recent report commissioned by the LGA found that an initial attempt at SLI is likely to be more effective than central intervention, although the latter should remain an option in order to incentivise LAs to engage with the SLI and provide a fall-back position if the SLI proves insufficient (Bennett et al., 2014). A rejoinder to this report, reconsidering both the LGA sponsored report and lessons from previous intervention regimes, but looking at how a future regime could learn lessons from both and potentially be improved has also recently been researched (Murphy and Jones, forthcoming).

2.6 Potential Value for Money 'Risks'

The above discussion raises a number of key value for money risks for LA services. These concerns, along with some developments that may mitigate them to some extent, are detailed below:

1. Central control over local government revenue (grants, business rates and Council Tax) means that individual LAs do not have the flexibility to respond to sudden increases in demand, robustly plan for the future, or in some instances, fill growing resource gaps.

This is only mitigated to a small extent by the introduction of three-year funding agreements and LAs' limited ability to raise revenue through fees and charges or other sources of income.

2. The statutory requirements of the Local Audit and Accountability Act 2014 is more focussed on financial conformance in financial reporting rather than the medium and long term sustainable management of financial and other resources that were continuously improving in successive generations of the Audit Commissions' former Use of Resources Assessments. These more fundamental risks to public assurance are not mitigated by other parts of the performance management and/or public assurance regimes. As such, the current regime is demonstrably poorer than previous performance and financial assurance arrangements and, in our view requires urgent strengthening.
3. The abolition of centralised performance monitoring frameworks, comparable quality assured indicators and the Audit Commission means that there is relatively significantly less data available on the quality and scope of LA services, and less capacity to interrogate this data effectively. This is because the previous regime systematically captured service inspections and reports; corporate inspections and reports; annual audits and Use of Resources assessments; and the work of other regulators which all informed innovation and improvement that were disseminated through a regular series of national reports. It did so over time for individual public bodies and across sectors and services at any one time. The current regime obscures risks associated with operational performance and means an informed judgment of the extent to which any LA provides value for money is very difficult. The duty of the DCLG Accounting Officer to assure parliament on value for money is therefore more difficult to fulfil as they have less means to do so, given that the Secretary of State has effectively dismantled some parts of the system. Armchair auditors have not stepped into the Audit Commission's 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 LAs. However SLIs on benchmarking do mean that some data are available to compare performance.
4. Most major capital investments rely on either Private Finance Initiative (PFI) / Public Private Partnership (PPP) or Tax Increment Financing. The former mechanism has significant long-term financial implications and has been widely criticised by academics and practitioners for being inadequate, inflexible and potentially hugely expensive, whereas the latter is based on projections of significant increases in business

rates revenue that may not materialise. Although LAs could opt for prudential borrowing instead, most have not done so, and initiatives such as ‘Gateway’ processes that aim to check the value for money of particular initiatives have not always been successful.

Section 3 Fire and Rescue Services

This section on Fire and Rescue Services covers:

- review of accountability and transparency literature,
- accountability and transparency arrangements,
- information and its interrogation,
- governance, leadership and strategic alignment,
- reporting, scrutiny and intervention, and
- potential value for money risks.

3.1 Review of Accountability and Transparency Literature

Whilst there is a huge amount of academic literature within the physical sciences, the medical sciences and engineering relating to combustion, materials resistance to fire and combustion, and other common, natural and man-made hazards such as flooding; and there is a similarly large academic literature in the social sciences (particularly in Psychology and Sociology) relating to issues such as post incident trauma and fire setting and other deviant behaviour; there is notoriously little public management literature relating specifically to FRSs, and fewer still relating to accountability and transparency (Wankheda and Murphy, 2012).

This is despite FRSs being a universal service internationally; delivered by central and local governments, by private sector providers and by third sector organisations and volunteer services in different parts of the world. The FRSs are therefore eminently capable of being investigated through public sector management theories (Liddle and Murphy, 2013, Murphy and Greenhalgh, 2013a).

In England, FRSs are primarily locally controlled and, as with local government, power and control is contested in central and local government relations.

There is a large overlap in arrangements for accountability and transparency and much of the local government literature is applicable to FRSs, and therefore will be extrapolated here to give some *'potential'* insight. For example, during the 1980's to 2010 successive central governments centralized accountability arrangements (in both FRSs and local government)

through the Audit Commission, audit, and performance management regimes including CCT, Best Value, CPA and CAA (Seal, 1999, 2003; Seal and Ball, 2005, 2006, 2011), all of which were applied to FRSs.

Since 2010 the Coalition Government has pursued a policy of ‘austerity localism’ (Lowndes and Pratchett, 2012), and undertaken governing and budgeting for deficit reduction through changes to the spending review, budget, and audit and accountability arrangements (Ferry and Eckersley, 2015a, Murphy, 2014). Reforms such as the Localism Act 2011 have given LAs greater autonomy over spending decisions but not local revenue generation (Ferry, Eckersley and van Dooren, 2015), which has had implications for FRSs.

The Local Audit and Accountability Act 2014 applies to FRSs and confirmed that future LA audits would be overseen centrally by the NAO and focus solely on financial management, but have no performance assessment (Ellwood, 2014). As with local government, this makes ‘financial conformance’ rather than ‘operational performance’ the overriding focus, and ostensibly weakens local accountability because it obscures the potential impact of austerity cuts (Ferry and Eckersley, 2015a). The lack of performance information means the NAO (2014) value for money report on ‘financial sustainability’ becomes reduced to highlighting risks that certain Fire and Rescue Authorities (FRAs) may not be able to set a balanced budget or fulfil statutory duties, potentially leading to central government intervention.

The NAO have raised public accountability concerns as DCLG do not have the arrangements in place to monitor how well authorities utilize their allocations. As with LAs the new accountability and audit arrangements let us know if the DCLG and FRAs are spending within budget, but not what value for money the public are getting.

As with local government, ‘armchair auditors’ have not materialised under the transparency agenda to fill the accountability void created by Audit Commission closure and performance audit abandonment. The result for FRAs is likely to be similar to local government, where it is now difficult to comprehensively assess the quality of service outputs and outcomes (Eckersley, Ferry and Zakaria, 2014), and given austerity holding down input costs and budgetary stewardship will be the over-riding concern (Ferry, Coombs and Eckersley, in press). Transparency is therefore unlikely to prove a substitute for accountability that can be afforded

by independent professional auditors assessing performance (Ferry, Eckersley and Zakaria, 2015).

3.2 Accountability and Transparency Arrangements

The Secretary of State for Local Government and Communities is accountable to Parliament for services of fire and rescue in England, and is supported in this stewardship role by the DCLG. The Accounting Officer for DCLG is accountable to Parliament for the stewardship of resources allocated to FRAs.

The roles and responsibilities of FRS and FRA were clarified in the third Fire and Rescue National Framework for England (DCLG 2012) published in July 2012. The FRA oversees the policy and service delivery of a FRS. The Chief Fire Officer (CFO) is responsible for the day to day command of the FRS and is accountable to the FRA. There are processes for the Accounting Officer at DCLG to provide assurance to Parliament that grants made by the DCLG are properly accounted for by FRAs, ensure regularity, propriety and value for money, and to advise the Secretary of State on the use of intervention powers.

FRAs are locally accountable bodies made up of elected councillors from the LAs within their areas. There are varying types of FRAs. These include Metropolitan Authorities made up of a number of Metropolitan Councils and whose councillors represent the Authority, County Authorities where the FRS is one of a number of services provided by the Council, and Combined Authorities serving combined county council and unitary authority areas and whose councillors represent the Authority. In addition, there is a London Fire and Emergency Planning Authority (a functional body of the Greater London Authority) whose membership consists of nominees from the London Boroughs, London Assembly and Mayoral appointees.

Funding for services of fire and rescue is similar to that for LAs i.e. through the Local Government Departmental Expenditure Limit (DEL) budget for core funding and DCLG DEL budget to implement departmental priorities, a local share of business rates under the new rates retention scheme, a levy on Council Tax, and fees and charges from services such as training.

The same set of strict financial controls that are applied to LAs also applies to FRAs for accountability. This includes regularity and propriety as to who is responsible for resources,

financial duties and rules for prudence in spending, internal checks that rules are followed, and external checks by an independent auditor. The legislative framework is slightly different for FRAs mainly because of their role as part of the national resilience arrangements as well as the local services.

FRAs are subject to the new auditing and accounting regime introduced by the Local Audit and Accountability Act 2014, which repealed the Audit Commission Act 1998. This gives local bodies freedom to appoint their own auditors and manage their own audit arrangements. A new audit framework reflects the regulatory roles found in the companies sector. The NAO has produced the code of practice and supporting guidelines and enhanced existing programmes of value for money examinations to carry out a small number of studies to take in local delivery, although it is not clear if any of these will be in FRAs.

Since 2010, the FRS performance management regime, including arrangements for assessing value for money, have in practice been focused around the LGA SLI approach. The latest Peer Challenge and Operational Assessments were developed by the LGA, in partnership with the Chief Fire Officers Association (CFOA), and are complemented by an industry standard Fire and Rescue Operational Assessment Toolkit, originally produced by the LGA, CFOA, DCLG and the governments' Chief Fire and Rescue Advisor (CFRA).

The former independent Her Majesty's Fire Service Inspectorate was incorporated into the Audit Commission and effectively disappeared with the Audit Commission's abolition (although the title is technically available if a future government wished to re-instate the role). England and Wales are very unusual as countries in being without independent fire inspectorates (in Scotland and Northern Ireland the role was retained) and there have been industry-wide calls and campaigns through for example the Fire Sector Federation, CFOA and FIRE magazine for its restitution (Murphy and Greenhalgh, 2013a, 2013b, 2013c, 2014; Lynch, 2013).

The Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that introduced greater transparency and openness into council meetings also apply to FRAs. As such, members of the public can only be refused admission in limited circumstances and they must be able to access documents that relate to meetings and executive decisions.

DCLG's *Code of Recommended Practice on Data Transparency*, also known as the *Local Government Transparency Code 2014* applies to the FRS as well as LAs. As such, it lists a range of datasets that FRSs 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, including the officer's name (with consent), job description, responsibilities, budgets and number of staff. In addition, it includes 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 covers key inspections and key indicators on fiscal and financial position.

The Localism Act 2011 requires all LAs (and therefore includes FRAs) to be open in their approach to pay. Sections 38-43 of the Act requires publication of a 'Pay Policy Statement' and any decision taken on pay must reflect the current Pay Policy.

3.3 Information and its Interrogation

DCLG's Fire statistics, together with financial and performance databases from CFOA and CIPFA, allow for investigation and analysis of expenditure and other performance information, although the latter two are only available to subscribers. As with LAs however, the collection, analysis, availability, transparency, and interrogation of these fire data has become increasingly difficult since 2010. This is due, in part, to the demise of the Audit Commission, which used to collect and publish national performance statistics. A proposal to outsource the collection and reporting of some government Fire Service Statistics by DCLG in 2013 has not yet been implemented. A Fire and Rescue Statistics user group and the Fire Services college is available to advise DCLG and a steering/advisory/development group comprising Directors of Finance for Fire Services advises CFOA and CIPFA on content.

As with local government, there has been a significant reduction in capacity to research, evaluate and interrogate these data, from both within DCLG and external bodies. This largely results from the loss of operational research and evaluation capacity from the Audit Commission – an organisation that produced 28 national reports relating specifically to fire and rescue management between 1983 and 2010, and numerous others with indirect relevance. This loss of capacity has only been partially compensated for by the development of operational

research capacity and capability at the NAO. Historically there has been very little independent academic research capacity in the management of fire and rescue. This, like public management academic research and teaching in general, is significantly declining as is evidenced by the Public Administration Committee of the Joint Universities Council.

Following the demise of centralised performance reporting, a Fire Peer Challenge and Operational Assessment devised by the LGA in consultation with CFOA, is the principal tool or group of techniques for assessing and assisting performance in FRSs (LGA/CFOA, 2013). The Fire Peer Challenge is based on the Corporate Peer Challenge for LAs and has some design and content similarities with the Self-Assessment and Peer Review elements of earlier local government performance management frameworks such as CAA, as well as individual service inspection regimes. The Operational Assessment was originally designed to complement the CAA process, which had a separate *'Use of Resources'* assessment that included value for money. Fire Peer Challenge has had a greater take up in the fire sector than corporate peer challenges in LAs. However, the Peer Challenge and Operational Assessment are partial, voluntary and discretionary and focus more on effectiveness rather than broader value for money concerns. Although the more recent Knight Report for DCLG (Knight, 2013) reviewed potential efficiencies in fire and rescue operations, it is debateable whether has had much impact on value for money in practice.

Unlike the LA Corporate Peer Challenge process, the Fire Peer Challenge and Operational Assessment has now been commissioned by *'all'* 46 FRSs in England and Wales, and the reports of those completed were initially published (unlike the LA reports) on the LGA website although they have recently been withdrawn.

3.4 Governance, Leadership and Strategic Alignment

The years immediately before and after the turn of the 21st century were characterised in FRSs by poor governance, fragmented leadership and a lack of strategic alignment at local and national levels (Bain et al, 2002). These problems were exacerbated by the national firefighters' strike, which was only the second national dispute since the establishment of the services after the Second World War – but a dispute that lasted over five years from 1998 to 2003.

Between 2003 and 2010 central and local government, local FRSs, CFOA, and the Audit Commission sought to re-establish collective sector leadership and facilitate performance improvement, innovation and service delivery. For example, the Fire and Rescue Act 2004 and the Civil Contingencies Act 2004 were the start of a period of gradual acceptance and engagement, characterised by increasing strategic alignment through joined up policy and delivery, improved performance management and investment in infrastructure and system support. Although the development of tools, techniques, systems and interventions were always some way behind developments in the equivalent health and local government regimes, they were rapidly progressing and generally considered to be ahead of services worldwide. For example, the Integrated Risk Management Planning (IRMP) process received international recognition with Scotland (Scottish FRS, 2013), Ireland (National Directorate for Fire and Emergency Services, 2012), Europe, Australia, New Zealand, Canada and others, gradually adopting similar approaches or parts of the regime.

Since 2010 this collective leadership has fragmented with significant loss of capacity and coherence accompanied by a loss of collective vision thereby challenging strategic alignment, as the coalition government has reduced its role, as demonstrated in the latest National Framework (DCLG, 2012). As in previous periods of the FRS's history, leadership and collective responsibility has largely been left to CFOA and there is a clear risk to individual and collective aspirations for efficiency and value for money. Although the LGA has offered a Financial Health Check (LGA, 2013) under their SLI programme since 2013, there is no evidence that this has been embraced or had an impact in FRSs. Overall therefore, the service for fire and rescue has been driven by the theory and practice of short term cutback management since the recession, rather than the previous theory and practice of public service performance management and governance.

3.5 Reporting, Scrutiny and Intervention

The CFOA provides strategic advice and guidance to ministers, civil servants, and FRAs on the structure, organisation and performance of FRAs and FRSs, although he has no reporting obligations to parliament or to the public other than through the DCLG. Individual FRSs have no reporting responsibilities, other than statistical returns to Parliament, DCLG, the Secretary of State or other regulators or agencies. Their financial reporting responsibilities are enshrined in the Local Audit and Accountability Act 2014.

The Open Government White Paper (Cabinet Office 2011) and the third National Framework (DCLG 2012) clearly differentiated the responsibilities of FRAs and FRSs along the ‘commissioner provider’ split, and scrutiny is largely exercised at the local level through local government structures, regulations and practices. However, there is no demonstrable evidence that this has made any significant impact in practice, and no discernible impact on either the amount or quality of scrutiny by FRAs. The relevant inter-agency and collaborative working arrangements are ‘horizontally’ scrutinised in Local Resilience Forums that emerged out of long standing local emergency planning groups, Health and Wellbeing Boards that are of relatively recent origin and therefore untested in their ‘scrutiny’ role, and Community Safety Partnerships. In terms of expenditure and budgeting, all FRSs are able to benchmark through CIPFA’s interactive financial database and its interrogative tools. In terms of external scrutiny however, the FRAs and FRSs have considerable discretion to determine what is reported to the public, when and in what detail. As a result, their reports and the data behind them are very variable not particularly useful for the purposes of conducting meaningful comparisons across organisations and scrutinising their activities as Murphy and Greenhalgh (2012) found in a previous survey for Nottinghamshire FRS. To try and overcome such concerns, full disclosure of the IRMP process in each authority and regular updating of their reviews could be made available on websites and potentially on a single collective point for all authorities.

FRAs/FRSs are subject to the duty of Best Value, and the Secretary of State for DCLG has broad intervention powers conferred by the Local Government Act 1999 and the Fire and Rescue Services Act 2004. For example, Section 28 of the latter Act provides powers to obtain information or to take action in any circumstances where central government may wish to have an investigation or assessment. This could include a major fire incident investigation or where there are serious concerns regarding the discharging of their functions or even corporate failure. Sections 22 and 23 allow the Secretary of State to intervene if he or she feels there is a risk that a FRA/FRS will fail, provided they consult and demonstrate why this risk is imminent or serious. He or she is required to have regard to the updated *Protocol on Central Government Engagement in Poorly Performing Local Authorities 2014*, although this has not been used to date.

As with LAs in general, the central government's expectation is that sector partners will provide initial support. In other words, ministers would only intervene in the most serious of failures, or if sector-support is refused or incapable of turning around the under-performance.

3.6 Potential Value for Money 'Risks'

The current financial and performance management regime for FRAs/FRSs is weak and can only support value for money to a limited extent. There is no independent inspectorate capability to provide external assurance, and it is debateable whether the Knight report has had any effect in increasing productivity. At the least this could be measured through metrics of outputs per full time equivalent and cost per output for financial benefits and then capture non-financial costs and benefits and adjust accordingly. Despite financial restrictions, the capture of efficiency savings has largely been left to individual FRAs/FRSs. The evidence base is fracturing and there are clear risks to its future adequacy in terms of both quality and quantity. As the above discussion has highlighted, there is also a noticeable reduction in leadership, infrastructural support and innovation, with only the CFOA being consistently engaged and pro-active.

In addition, the Peer Challenge and Operational Assessment processes have clear inadequacies in terms of external assurance and reporting. This is because Peer Challenges inter alia allows those being challenged to decide what range of issues are to be considered and to influence 'who' provides the challenge, and is therefore open to gaming. There is no obligation to publish the report at all, let alone in a timely fashion, and there is no automatic follow up to the final reports or any implementation. The designers and commissioners of these processes (the LGA and CFOA) – recognise some – but not all – of these shortcomings.

Similarly, there is little capacity to produce either thematic or more comprehensive approaches to service, organisational or financial assessment, and therefore little prospect of more quality-assured graded judgments. Although intervention powers are extant and rest with the Secretary of State, the model for service and corporate interventions have not been used since the days of the previous CPA/CAA regime. Moreover, the most recent protocol on intervention does not strengthen external assurance.

With these concerns in mind, the key value for money risks for FRSs, along with some developments that may mitigate them to some extent, are detailed below:

1. There is a considerable over-reliance on the Fire Peer Challenge and Operational Assessments, which are far from comprehensive, insufficiently robust, do not systematically investigate organisational and financial resilience, and is potentially subject to ‘gaming’. Its central objective is to encourage improvement not to provide public assurance, and there is no obligation for the timely publication of findings. Improved Peer Challenge and Operational Assessment methodologies are likely to be commissioned by CFOA and the LGA following the completion of the current generation of assessments, but they will require a complementary value for money or efficiency methodology at least as sophisticated as the third generation of the *‘Use of Resources’* regime in order to be effective. The LGA’s existing financial health check and the external audit arrangements are inadequate – either on their own or together.
2. The Local Audit and Accountability Act 2014 encourages short termism in financial reporting and could result in FRAs neglecting the short, medium and long term sustainable management of financial and other resources. This is because it neglects the short, medium and long term sustainable management of financial and other resources that were continuously improving in successive generations of the Audit Commissions’ former Use of Resources Assessments which were applied to FRS as well as LAs. These more fundamental risks to public assurance are not mitigated by other parts of the performance management and/or public assurance regimes. As such, the current regime is demonstrably poorer than previous performance and financial assurance arrangements and, in our view requires urgent strengthening.
3. FRSs continue to depend on PFI/PPP funding for any major capital investment schemes. Initiatives such as ‘Gateway’ processes to check the value for money of particular projects during procurement do not mitigate these risks entirely. Indeed, the inadequacies and inefficiencies of the PFI/PPP process for capital funding have received little attention lately, perhaps because of the recession and consequent public expenditure restrictions.
4. There is an apparent lack of will, wherewithal and drivers to capture potential inter-agency value for money gains from ‘community of interest’ collaborations. Previous Total Place and community budget pilots started to investigate these issues in other parts of local government but no initiatives have been pursued in FRSs with Sir Ken

Knight reporting a 'lack of local appetite and incentive to combine' (Knight, 2013, p. 8) It is unclear whether this risk is being addressed at all.

5. The performance management regime continues to fragment, and this is exacerbated by the available evidence base being of diminishing quality as well as the loss of systemic improvement infrastructure available to the sector.

Overall, FRS deal with short and long term emergencies with other blue light services on a day to day basis. The FRA role is to finance and equip the response to incidents and emergencies and to let them get on with collaborations on the ground. It is the local resilience forums that make inter-agency operational response efficient and effective. The emergency services generally, including FRSs, have very mature efficient and effective cross-organisational emergency planning, resilience and interoperability capability at an operational 'response' level developed and improved continually since the pattern of emergency services were established from the second world war. However, it is questionable whether this has been fully reflected in non-response operational services, business support and systemic infrastructural improvements.

Section 4 Police Services

This section on the Police Services covers:

- review of accountability and transparency literature,
- accountability and transparency arrangements,
- information and its interrogation,
- governance, leadership and strategic alignment,
- reporting, scrutiny and intervention, and
- potential value for money risks.

4.1 Review of Accountability and Transparency Literature

Research has examined reforms to the governance of local policing in England and Wales from managerialisation of policing in the early 1990s through to the more recent introduction of PCCs. For example, Gilling (2014) through a longitudinal perspective identified politically driven shifts in organisational regimes, initially from bureau-professionalism to managerialism, and more recently from managerialism to a hybridised model of local governance that combines elements of consumerism, democratic localism and bureau-professionalism. He also found that these regimes are not determining structures, but are open to contestation and negotiation. Loveday (2005) highlighted the challenge of police reform in England and Wales concerning policing responsibilities and police budgets being devolved to Basic Command Units, which addressed a number of issues identified within the 1993 Sheehy Report (particularly in relation to local pay bargaining) and further efficiency reforms that impact on the role and status of the police and the structure of police forces. Jackson and Dewing (2009) examined corporate governance arrangements of police authorities in England and Wales and found that given the fundamental responsibility of police authorities for ensuring efficient and effective policing in their areas, the main challenge for police authorities is enhancing cohesion.

In terms of PCCs, Raine and Keasey (2012) reflected on the opportunities and challenges of introducing them, and particularly the prospects for enhanced public accountability of policing. They suggest that while the plans for directly elected PCCs have proved controversial, the overall view is that the new approach to police governance deserves its chance because it seems

to offer at least some potential for stronger public accountability. However, they stress that much depends on the three key accountability relationships which lie at the heart of the new arrangements and upon which success, to a large extent, will depend. These are the relationship between the local public and the PCCs that are around public confidence for policy priorities, resourcing and impact. Secondly, the relationship between the PCC and the Chief Constable, which has issues of principal and agent. Finally, the relationship between the PCC and the Police and Crime Panel (PCP). In all three of these accountability relationships Raine and Keasey (2012) consider that the critical issue concerns the balance that is to be struck on the one hand between managerial and performance accountability, and on the other public and policy accountability. However, Lister (2013) suggests these changes represent arguably the most significant constitutional change in police governance over past half century, and that the new ‘quadripartite’ governance framework for police institutional accountability could pressure PCCs to interfere with work of Chief Constables. Concerns are therefore expressed with regards to scope of Chief Constables’ operational discretion and political involvement.

Austerity has accelerated the drive for efficiencies across all areas of public spending in the UK and the need for improvements in police service performance and performance management that underpin accountability. Exploratory research has identified ‘*potential*’ areas of policing activity that could benefit from implementation of new techniques. This includes “lean” principles of management as a means of focusing on more cost effective ways of utilising future police resources (Barton, 2013; Barton and Barton, 2011), innovative modelling to target police performance improvement within a specific area of measured operational policing (Barton and Beynon, 2011), and the potential of multi-agency working as a partnership approach to reduce criminality that could help create a positive impact on police time and image, improve delivery of other public services and provide a better quality of life for citizens (Barton and Valero-Silva, 2013).

However, past research has highlighted challenges with implementation of new techniques and how they can affect accountability. For example, Collier (2006) explored implementation of ‘activity-based’ costing in policing in England and Wales and concluded that it was employed as rhetoric rather than reality for as much a political as a managerial process. This politicization of policing involved a shift from moral panic about crime to financial panic over the police cost and performance that made certain activities visible and others such as the redistribution of police services relatively invisible.

4.2 Accountability and Transparency Arrangements

The Secretary of State is accountable to Parliament for the police service in England, and is supported in this stewardship role by the Home Office. The Home Office Accounting Officer is accountable to Parliament for the stewardship of resources allocated to police bodies. There are processes for the Accounting Officer at the Home Office to provide assurance to Parliament that grants made by the Home Office are properly accounted for by local police bodies, ensuring regularity, propriety and value for money and to advise the Secretary of State on the use of intervention powers.

Directly elected PCCs, which replaced Police Authorities in 2013, are accountable to residents outside London for ensuring local policing needs are met. For the two London police force areas this role is fulfilled by the Mayor's Office for Policing and Crime and the Common Council of the City of London. Chief Constables are responsible for operational delivery of the local police force and directly control police officers and civilian staff and are accountable to PCCs.

Funding for local policing bodies was received from the Home Office and raised through the precept component of Council Tax (this analysis is restricted to the police constabularies and excludes specialist forces such as the Transport Police, the Ports and harbours or specialist police forces such as the military police).

PCCs and Police Forces are subject to the new audit and accounting regime introduced by the Local Audit and Accountability Act 2014 which also repealed the Audit Commission 1998 Act. In terms of audit, the NAO has the right of access to both the Home Office and PCCs. There is no right of access by the NAO to Police Forces, although they can consider how the PCCs and forces interact. Following the abolition of the Audit Commission, the NAO, Financial Reporting Council and professional bodies now oversee the new external audit framework. Under the Police Act 1996, Her Majesty's Inspectorate of Constabulary (HMIC) inspects the police forces' efficiency and effectiveness. The Home Office increased HMIC's budget in 2014/15 to fund a new programme of force inspections that will provide annual performance assessments of each force.

Regulation and inspection is carried out by HMIC and the NAO, both of which are accountable to Parliament. Recently, the police performance management regime, including arrangements for assessing value for money, has in practice been led and focused around HMIC – with the Home Office and the other external auditors, inspectors and regulators playing a more reduced or less prominent role than at any time since the 1980s.

HMIC's statutory responsibilities and remit are therefore enshrined in the 1996 Police Act (as amended by the Police Reform and Social Responsibility Act 2011), and include provision for an inspection framework, the inspection of both constabulary and non-constabulary police forces, and the collaboration of inspections across the criminal justice community of interest (prisons, probation, crown prosecution, and courts). HMIC inspects forces' efficiency and effectiveness and publishes information on crime, finance, workforce and victim satisfaction, in order to enable comparisons between forces and produce annual assessments of performance in each force.

Through transparency arrangements, the public can assess the performance of the local force and hold their PCC to account. The Police Reform and Social Responsibility Act 2011 requires an elected local policing body to publish any information specified by order of the Secretary of State. A list of these datasets was set out in the Elected Local Policing Bodies (Specified Information) Order 2011, and it includes total budget, expenditure on each item exceeding £500, revenue sources, grants made for crime and disorder reduction, salaries of senior employees, copies of contracts exceeding £10,000, and details of severance payments. For police forces, the Annual Data Requirement sets out requests for information and requires them to publish the financial data that HMIC uses in the preparation of its annual value for money profiles of police forces. The HMIC reports annually to Parliament on the efficiency and effectiveness of the police. The public also has access to a Home Office run website that contains information relating to crime and policing costs in their area, and compares this to other areas of a similar nature.

4.3 Information and its Interrogation

There are various sources of expenditure and other performance information relating to the police service, including the Home Office, HMIC and CIPFA financial and performance databases, although the latter are restricted to paying subscribers. Prior to its demise, the Audit Commission also collected and published police national performance statistics (for constabularies).

As with other local services however, the interrogation of this information has become more difficult since 2010. This is due to a reduction in research and evaluation capacity, both from within the Home Office and external bodies. In particular, the loss of the Audit Commission, which produced 41 national reports relating directly to police management and value for money between 1983 and 2010, has only been partially compensated for by the development of operational research capacity and capability in HMIC and the NAO. In addition, the Government has replaced the National Policing Improvement Agency with a Policing College, which has also resulted in a long term reduction in capability and capacity. There is some independent academic research interest and capacity in policing and the management of policing, but this is relatively small.

However, HMIC has conducted value for money studies of individual forces, and both the NAO and HMIC have discretion to undertake thematic reviews of value for money – thus re-establishing the potential for systemic improvement, innovation and greater value for money. In addition, the developing Police Effectiveness Efficiency Legitimacy (PEEL) programme aims to provide a regular comprehensive assessment of organisational performance and the ‘Efficiency’ element includes a ‘question’ (equivalent to the Key Lines of Enquiry (KLoE) under CPA/CAA) relating to short and long term financial resilience. As such, there is an emerging landscape of more standardised value for money assessments within the police service, albeit on a smaller scale than was the case before 2010.

4.4 Governance, Leadership and Strategic Alignment

In terms of governance, the previous formal tri-partite arrangements to integrate policy and delivery of policing between the Home Office, the Association of Police Authorities (APA) and Association of Chief Police Officers (ACPO) have been superseded by more disparate

arrangements. This is partly a result of the establishment of PCCs (and Police Panels), as well as changing political and policy priorities within the Home Office. In addition however, the arrangements for co-ordinating individual and collaborative organisational objectives, systems and performance management arrangements across criminal justice delivery organisations and networks are under-developed. This is the case for both emergency service and resilience networks as well as across related local service delivery agencies.

Nonetheless, with regards to leadership and co-ordination of performance management, HMIC has embraced the leadership and co-ordinating role required for strategic alignment and direction. Since 2011 the inspectorate has been prominent in developing a sector-led regime, based largely on the frameworks for organisational and cross agency assessments that the Audit Commission developed for CPA and CAA respectively. HMIC is committed to an evidence-led, integrated and inclusive developmental approach, which bears a strong resemblance to the approach adopted by the former Audit Commission in the early 2000s and contrasts with recent developments in other local public bodies. As such, the early response to the recession, which was based on the short term theory and practice of cutback management, is starting to be replaced by a return to more appropriate short and long term concerns for improving public service performance, management, assurance and governance. Notably however, this is largely driven by HMIC rather than explicitly by the government.

4.5 Reporting, Scrutiny and Intervention

HMIC has reporting responsibilities to parliament and to the Home Secretary, and to those Secretaries of State responsible for other services over which it has responsibilities (such as defence, revenue and customs, and transport), as well as to the organisations it inspects and their governing bodies.

HMIC has considerable discretion as to what it reports to the public, but under the current governance and management regime it is adopting a relatively open and transparent approach based upon its publicly accessible website. This currently includes publication of all value for money reports that are based on a peer group, benchmarked, scorecard approach, although it does not yet have the interactive and/or interrogative tools that are a feature of CIPFA's service expenditure and budgeting database.

Scrutiny is largely exercised at the local level through regulations and practices mostly inherited from local government but adapted to PCCs. PCPs provide a statutory oversight and scrutiny function in respect of PCCs. Their role involves monitoring performance of the PCC. Inter-agency and collaborative working with other local public services is ‘horizontally’ scrutinised in Local Resilience Forums, Health and Wellbeing Boards and Community Safety Partnerships (although in practice the police tend to dominate the latter).

In terms of intervention, the Police Act 1996 Sections 40 and 40b give the Secretary of State statutory power to intervene in a range of circumstances including, among others for example, to direct Policing Bodies to take action where a Local Police Board or Police Force is failing or will fail to discharge its functions effectively, to direct HMIC to look into and report on any issue, and to ensure that force budgets are sufficient and therefore do not threaten the capability of the Chief Constable to provide basic policing.

As this list suggests, the Home Secretary has considerable powers to intervene in the police service. In addition, it is worth noting that this power rests with the Secretary of State alone – the HMIC reports are not automatic triggers to intervention – and the Secretary of State’s intervention decisions are not exclusively to be based on PEEL reports, because they can order interventions as a result of other reports or concerns. However, most interventions follow the locally delivered services ‘intervention’ model that previous governments developed for LAs, local collaborative partnerships (such as crime and disorder reduction partnerships), and the health sector. In other words, the Home Secretary would rely on peer-led teams that are managed and sourced externally.

4.6 Potential Value for Money ‘Risks’

Since its inception in the 1990s, the policing performance management regime, together with the police service’s appraisal of value for money and its capture of efficiency savings, has not been very coherent, cohesive or effective. This is in spite of a major investment in quality assurance systems and processes, and the fact that performance management systems have collected a large quantity of data.

However, HMIC’s ongoing development of the annual PEEL assessment represents a move away from the previous thematic approach to assessment, and towards a more comprehensive

organisational assessment that should allow graded judgments to be made that are more quality-assured than previous regimes. The first round of PEEL assessment were published in November 2014 (on a relatively wide but not fully comprehensive methodology). Amongst other things, these judgements will inform potential intervention activity – although as mentioned above, any decision to intervene rests solely with the Home Secretary.

The key value for money risks for the police service, along with some developments that may mitigate them to some extent, are detailed below:

1. The new system of PEEL assessments and its associated methodology are still immature and not yet as sophisticated as the third generation ‘*Use of Resources*’ regime under CPA and CAA. However, HMIC is committed to improving the PEEL methodology, which may mitigate this risk.
2. The emphasis on financial reporting contained within the statutory requirements of the Local Audit and Accountability Act 2014 neglects the short, medium and long term sustainable management of financial and other resources. The potential risks from short-termism are partially mitigated by the developing ‘efficiency’ assessment within the new PEEL methodology, which potentially assesses short and long term financial resilience and risks.
3. A continuing dependence on PFI/PPP funding for any major capital investment schemes may be storing up risks for the future. Initiatives such as ‘Gateway’ processes to check the value for money of particular projects during procurement do not mitigate these risks entirely. Indeed, the inadequacies and inefficiencies of the PFI/PPP process for capital funding have received little attention lately, perhaps because of the recession and consequent public expenditure restrictions.
4. A potential lack of will, wherewithal and drivers to capture potential inter-agency value for money gains from community of interest collaborations, such as Health and Wellbeing Boards or Community Safety partnerships. It is unclear whether this risk is being addressed at all.
5. The underdevelopment of the current evidence base and the systemic improvement infrastructure available to the sector. However, the organisational and performance management regime is currently developing more rapidly and relatively better than has traditionally been the case in policing or in the criminal justice regime generally.

6. The relatively new concept of PCCs and their relationships with Chief Constables has led to the loss of a vast amount of knowledge and experience from Police Authorities, and PCCs will take some time to recover these resources. Furthermore, the new system is more likely to be disruptive and unstable, as existing PCCs may not be re-elected or be unable to complete their term of office, and incoming PCCs may have differing views on the local policing needs of their areas. PCCs are directly accountable to the public, but levels of turnout at elections suggest that citizens have not yet embraced the role. If relations between the PCC and Chief Constable break down, this could have adverse effects on the service.

The emergency services generally, including the police, have very mature, efficient and effective cross-organisational emergency planning, resilience and interoperability capability at an operational level. However, this has not been fully reflected in non-response services, business support, or systemic infrastructural improvements. As such, although value for money risks have not increased by as much in the police service as they have in other sectors, some concerns remain.

Section 5 Health Service

This section on the Health Service covers:

- review of accountability and transparency literature,
- accountability and transparency arrangements,
- information and its interrogation,
- governance, leadership and strategic alignment,
- reporting, scrutiny and intervention, and
- potential value for money risks.

5.1 Review of Accountability and Transparency Literature

The financial sustainability of healthcare is a significant political issue that successive governments have grappled with, which has rhetorically during the history of the NHS become framed as an ‘insoluble cost’ rather than a means to provide a healthy workforce and society (Gebreiter, 2015a, 2015b).

During the 1980’s and in the context of cost management, the Conservative government began fundamental New Public Management based reforms through introduction of management budgeting. This was followed in the 1990’s by market-driven incentives that aimed to create a system of performance management to improve NHS productivity and reduce admission and treatment waiting times (Propper et al., 2008).

When New Labour came to power in 1997, against expectations they extended neo-liberalism and an era of performance management through a targets driven policy and performance management system (Bevan and Hood, 2006). This included a star rating system introduced in 2001 that was replaced by an annual health check from 2006 and NHS Performance Framework from 2008 (Ferry and Scarparo, in press). These multi-dimensional performance management systems were designed for delivering specific national targets and standards for local NHS organisations. This resulted in an intense and tight level of scrutiny of health care managers. Poor performing managers of NHS Trusts risked being fired and the Trusts were publicly ‘named and shamed’ (Bevan and Hood, 2006) placing information about the NHS Trusts’ performance against targets in the public domain in an attempt to force Trusts’ managers to

comply in order to maintain social legitimacy (Llewellyn and Northcott, 2005). Unfortunately this had some unintended consequences. For example there was gaming (Bevan and Hood, 2006; Propper et al., 2008), questioning of whether the system was for legitimization driven by political demands or actually did improve efficiency and patient care (Chang, 2006, 2009; Guven-Uslu and Conrad, 2008, 2011; Conrad and Guven-Uslu, 2011, 2012), and criticisms that the performance assessment frameworks focus on overall performance which can be opaque and did not get beneath to the operational realities (Bevan and Hood, 2006). Accordingly a hospital could appear to be very good through the performance assessment framework but still have serious problems of care, which was later evidenced from reports into accountability and transparency in the NHS following the Mid Staffs scandal (House of Commons, 2014; Francis 2013, 2015). It was therefore important that hospitals and especially the board had a rounded picture and were prepared to contest and negotiate change as part of their rhetorical strategies (Mueller, Harvey and Howorth, 2003; Mueller, Sillince, Harvey and Howorth, 2004).

Since 2010 the Coalition government retained audit and performance management systems alongside transparency arrangements for healthcare services, but changed the institutions and structures for how accountability practices would be delivered. For example, Ellwood and Garcia-Lacalle (2012) highlighted the changing landscape of local public audit following abolition of the Audit Commission and its audit practice (District Audit) with regards to the NHS. In particular they emphasized that it was still to be determined how value for money work, performance assessment and audit quality may be directed and monitored in the future by the NAO, the Financial Reporting Council and the professional bodies. They also pointed out that audit arrangements had to be determined for many new bodies formed under the Health and Social Care Act 2012, not least the hundreds of Clinical Commissioning Groups (CCGs). As a result, they suggested further research was necessary to understand the consequences of the reduced and fragmented oversight role and the additional services that local bodies purchase from auditors. Ellwood (2014) went onto highlight the inter-related problems of autonomy, governance, accountability and a new audit regime that needs debated much more widely not only for health services, but other local public bodies.

Research has also highlighted areas that need further consideration in healthcare. For example, recently the NAO (2014) through an exploratory study looked at the link between financial stewardship and clinical care performance and only found a weak correlation. This needs more

detailed investigation. Studies have also looked at modernizing healthcare through regulatory hybrids, and how such partnerships employ budgeting and performance management (Kurunmaki and Miller, 2006, 2011) and are subject to risks (Kurunmaki and Miller, 2008). In addition, it is suggested that costing has been relatively neglected in healthcare research (Chapman and Kern, 2010), but costing practices need to be robust if they are not to undermine decision making in what purports to be an evidence based environment (Chapman et al., 2014).

5.2 Accountability and Transparency Arrangements

As its “steward”, the Secretary of State is accountable to Parliament for the health service, including the NHS Commissioning Board (now known operationally as NHS England), Public Health England and adult social care. The DoH supports the Secretary of State in this role. There are processes for the Principal Accounting Officer at the DoH for accounting to Parliament, reviewing performance, holding to account NHS England’s Accounting Officer, CCGs Accountable Officers, and the Public Health England Accounting Officer, reporting, and intervention. The DCLG Accounting Officer is accountable for the allocation of adult social care funds to LAs. While the NHS, public health and adult social care are funded and structured differently, and have different mechanisms for accountability, they are to be covered by a consistent set of outcomes frameworks, describing the outcomes that need to be achieved. Collectively, these frameworks provide a means of holding the Secretary of State and the DoH to account for the results being achieved with its resources.

The Health and Social Care Act 2012, along with other reforms, moved responsibility for managing the Health Service from the DoH to NHS England, which now carries out this function through other Arms-Length Bodies (ALBs). The DoH is now mainly responsible for overall design of the service, along with policy and stewardship. In terms of commissioning, NHS England appoint CCGs to buy in secondary care, community services, mental health services and rehabilitation services for their local populations. Other health care services are also directly commissioned by NHS England, namely primary care (including General Practitioner (GP) services) and specialist services such as dentistry, community pharmacy and primary ophthalmic services. In addition, under the new integrated public health service, known as Public Health England, the new Health and Well Being Boards made up of LAs, CCGs, LAs and local HealthWatch are responsible for Joint Strategic Needs Assessments and development of Joint Health and Wellbeing Strategies.

HMT allocate funding to the DoH budget. The DoH allocate their budget to various services, with most going to NHS England, and the balance used for centrally managed projects and services, ALB funding and public health spending. Of the allocation to NHS England a large proportion is passed to CCGs for local commissioned services and the remainder retained for nationally commissioned services. Most of the central government funds allocated to adult social care services are provided as part of the core grant to local government which is not ring-fenced. Although the DoH is responsible for securing funds for adult social care through the Spending Review settlement it is the DCLG that is accountable for the allocation of those funds to LAs.

Strict financial controls and accountability to the public applies to health services in accordance with the Health and Social Care Act 2012 and the Local Audit and Accountability Act 2014, which repealed the Audit Commission Act 1998 (although they are not required to set a balanced budget as a local authority must do). Under the current arrangements, the NAO is responsible for the audit of the accounts of the DoH and its ALBs, including NHS England. Once the transitional arrangements relating to the demise of the Audit Commission are complete, the government plans to replace the current centralised audit system for CCGs with a local audit by an accredited provider. In the case of foundation trusts, each trust may choose to appoint an auditor from a body of accountants approved by the Secretary of State.

Under the National Audit Act 1983, the NAO can examine and report on the value for money (assessed in terms of the economy, efficiency and effectiveness) of public spending. As with other local public bodies, the NAO's programme of value for money studies in health-related issues and outputs provides assurances to Parliament on the extent to which the NHS and the DoH deliver value for money across the health care sector. These reports are generally subject to consideration, scrutiny and report by the PAC. For the purpose of carrying out value for money studies, section 8 provides a statutory right of access to information held by the DoH, its ALBs and all NHS bodies.

The performance management regime remains centralised, but has been subject to considerable changes. For example, the Coalition Government discontinued the establishment and publication of 'national' Public Service Agreement (PSA) targets within central government,

and the abandonment of Local Area Agreements (LAAs) broke the link with local or mutually agreed local and central objectives and targets for public services in local communities.

Monitor acts as regulator for providers of health services and the Care Quality Commission (CQC) is the independent regulator of all health and social care in England. The inspection regime is focused around the concept of annual Quality Accounts contained within Quality Reports, the CQC Annual Health Checks, and the planning overview and reporting requirements of Monitor. Initially, Quality Accounts allowed considerable discretion as to their content – thereby undermining benchmarking and their use for accountability, but over time their contents have become more proscribed and standardised. In 2013 CQC announced a broad aim for a ‘new’ CQC inspection regime initially in relation to hospital inspection. This involved returning to a system of more specialist inspection with greater involvement of staff and the public. Monitor’s role was also clarified as to support patient interests by promoting the provision of healthcare services that is economic, efficient and effective, and maintains or improves their quality. It does this primarily through its Risk Assessment Frameworks (RAFs) and its responsibility for the payments and financial systems that operate within the NHS and its suppliers.

With regards to the planning process, a plethora of plans exist. For example, the NHS Five Year Forward View was published on 23 October 2014 and sets out a vision for the future of the NHS. In particular it sets out why change is needed, what it may look like and how it could be accomplished. This includes a description of various models of care that could be provided, and defining actions required at a local and national level to support delivery. Each year the DoH also sets out the outcomes and corresponding indicators in the ‘NHS Outcomes Framework’, which is used to hold NHS England to account for improvements in health outcomes. From this mandate, in 2015/16, NHS England set out its priorities for operational delivery through *‘The Forward View into Action: Planning for 2015/16’*. This planning process confirms key domains, outlines progress made in refining existing measurement indicators and developing new indicators, and sits alongside the outcomes frameworks for adult social care and public health.

The Health and Social Care Act 2012 and Local Audit and Accountability Act 2014 resulted in greater fragmentation of the financial assurance, performance management and regulatory regimes (including arrangements for assessing value for money in the NHS and Social Care).

As such, these frameworks became more incoherent, less integrated across the healthcare system, and less amenable to public and key stakeholder scrutiny. This is partially because of the antecedent as multiple complex impacts of the Health and Social Care Act 2012 (Murphy 2013), the embedding of the significant change in audit and accountability arrangements brought about by the Local Audit and Accountability Act 2014, the re-structuring of the NHS, the impact of the various Francis reports (2013, 2015), and recent changes in the role of inspectorates and the focus of inspection.

Working within Cabinet Office guidelines set out in 2013, NHS England publishes key information on transparency and openness. Building on this initiative, the government announced a raft of new measures aimed at increased public participation as part of its on-going pledge to openness and transparency. They included publishing more clinician level data, publishing more overarching clinical indicators, extending the Friends and Family Test, and linking clinical data from GPs.

In addition, the National Institute for Health and Care Excellence (NICE) provides a range of information services for commissioners, practitioners and managers across health, and social care since the Health and Social Care Act 2012. This information helps to mitigate the postcode lottery risk and covers clinical, public health and social care guidance, and access to medical publications and medicines information and prescribing support.

Finally, the Health and Social Care Information Centre (HSCIC) is bringing together clinical service and outcome data in England into one place, so that it can be linked and analysed in ways that will better inform the delivery of care and services. For example, the MyNHS website is intended to enable health and care organisations, and the public, to compare the performance of services over a range of measures, at both local and national level. The DoH, NHS England, CQC, Public Health England and the HSCIC are working together on how this site can be improved. Patients, academics, data intermediaries and other organisations can access data and make comparisons that could facilitate more informed choices.

5.3 Information and its Interrogation

Investigation and analysis of expenditure, and other performance information, are dependent on NHS statistics and financial and performance databases which are available online, subject to privacy and ethical considerations. Given the NHS's status as one of the world's largest employers, it is unsurprising that the NHS informatics service is also one of the largest information systems in the public sector. It includes performance management, financial resilience, and value for money data. Individual NHS trusts are encouraged to share information as part of a 'whole systems' approach in the NHS – although the fragmentation caused by 'Foundation' trust status and the introduction of price competition in parts of the NHS is likely to make this increasingly more challenging in the future.

Health provision generally relies on an evidence-based approach to treatment, and therefore we might expect these attitudes to be reflected in the NHS's organisational culture, policy and decision-making. Indeed, various initiatives over the last fifteen years, have sought to improve the quality of data systems and information, and the collection, analysis, availability, transparency and interrogation of NHS statistics. These include the establishment and development of Health Observatories that are now part of NHS England and called Public Health Observatories, and NHS statistical initiatives such as Rightcare and the NHS Atlas of Variation in Healthcare. They also include the requirement to compile and maintain Joint Strategic Needs Assessments for local areas that was introduced in 2005. These have been developed to underpin Local Area Agreements, Public Health Strategies and more recently Health and Wellbeing Strategies.

There has been a marginal recent reduction in DoH and NHS research and evaluation capacity, as well as external independent research and evaluation capacity relating to performance management and value for money – although capacity generally remains substantial (see NICE and HSCIC). The loss of Audit Commission capacity has partially been compensated for by successor agencies such as CQC, HealthWatch, and Monitor, although there are some concerns about the interoperability of quality assured databases across those services that chose to collaborate. There also remains a large academic and independent research community interested in healthcare in general. As a result, unlike research and teaching focused on other parts of the public sector, there has been relatively little decline in interest or in the resources applied to researching the Health and Social Care system – not least because of the continuing

increase in demand for services and the significant changes to the system occasioned by the Health and Social Care Act 2012.

However, the disappointing extent of the data compatibility, or data matching, arrangements in the Local Audit and Accountability Act 2014 could lead to a substantial reduction in the quality, quantity, robustness and accessibility of the compatible financial information and evidence available for external and public scrutiny of performance in local public services.

5.4 Governance, Leadership and Strategic Alignment

Given the size and multi-faceted nature of the NHS, it is perhaps unsurprising that the governance arrangements for healthcare services are complex and opaque. However, a report on 10th November 2014 by the House of Commons' Public Administration Select Committee was particularly scathing about statuses, roles and relationships within the sector. This raised concerns about how coherent, transparent, and navigable the system is for patients, and also suggested that overall levels of performance, quality, safety and financial resilience were unclear. The report described this complex situation as "not acceptable..." and noted that relations between the DoH and NHS England are "extremely complicated and still evolving" (Public Administration Select Committee, 2014).

In addition, the leadership, management, systemic and cross sector strategic alignment, and assurance of the system at national, regional and local levels appears to be fragmented (Ham et al., 2015). This is despite the development of Health and Wellbeing Boards, which were designed to help and facilitate integration of health and social care across local communities (Murphy, 2013). It has also been argued that the health service now has less strategic alignment than previous regimes. It may also be less integrated across different healthcare systems, local public service delivery collaborations and emergency partnerships, and less amenable than its predecessors to both public and key stakeholder scrutiny.

Governance, leadership and strategic alignment are critical challenges that question the financial sustainability of healthcare services and greatly increase the risk of widespread or systemic failure. These concerns therefore raise serious issues around the long term financial resilience of the NHS, and around the assurance that the public have a right to expect from such a large taxpayer-funded healthcare system.

5.5 Reporting, Scrutiny and Intervention

The reporting, scrutiny and intervention arrangements of the NHS and the Healthcare Sector are notoriously complex. NHS Choices provides a clear introductory guide to ‘Health watchdogs and authorities’ on its website (NHS Choices, 2015), but to understand the arrangements in any detail requires considerable investigation of individual regulators.

With regards to reporting for example, NHS bodies are internally answerable to NHS England and Public Health England, whereas social care services are primarily answerable to LAs, and public health services are answerable to both. The current external reporting, monitoring, inspection, regulatory and financial assurance regime is equally complex. External audit and inspection for both health and social care services in the public sector is administered and monitored externally by CQC, Monitor, HealthWatch and the Healthcare specialist regulators. They have periodic and specific public reporting responsibilities although there are some marginal differences between Foundation Trust and non-Foundation Trust reporting responsibilities.

The current system is seen as being less transparent and less amenable to both public and key stakeholder scrutiny than previous arrangements. This is partly because of what sometimes appear to be overlapping remits for health services between CCGs’, LAs, Health and Wellbeing Boards, local HealthWatch and the Local Area teams of NHS England.

Interventions have also been necessary in health services, largely due to the number of high profile serious incidents, scandals, organisational and service failures – as well as evidence of significant underperformance – in both health and social care services (Mid Staffordshire, Rotherham, etc.) over recent years. These have been accompanied by the development and deployment of organisational and service interventions that have built on the ‘operational model’ originally developed by the Local Government Interventions team as a result of CPA. In general terms these intervention methodologies and protocols have subsequently been tailored to individual services and organisations. They generally utilise teams of board and officer peers experienced in the governance and management of the strategic turnaround of the organisation or service concerned.

Both NHS England and the DoH can intervene, although the Secretary of State has a duty to publish reasons why either body should take this action. Reflecting the complex structure of the health service, NHS England can intervene in a CCG (if it believes it to be failing, or if there is a significant risk of a failing to discharge any of its functions), whereas the Secretary of State can intervene in the activities of NHS England through the DoH for various reasons.

5.6 Potential Value for Money ‘Risks’

The healthcare system as a whole, and individual organisations and services within it, are increasingly struggling to meet centrally set objectives and targets. In recent years, a number of costly failures and scandals have resulted in numerous very expensive interventions.

The key value for money risks for the health service are detailed below:

1. A clear and increasing challenge to health, social care and childrens services is trying to meet rising demand. There is also action to try and mitigate this risk. For example Trusts (as well as LAs through their Public Health function and the NHS in general) are trying to encourage people to change their behaviours (stopping smoking, more exercise, better diets, etc) to prevent them having to get treatment in the first place. In addition, the Better Care Fund is designed to reduce risk by preventing elderly and sick persons from entering accident and emergency departments and blocking beds, but if people are not primary prevented, self-caring or case managed the pressures continue unabated. The problem is then that funds for dealing with such cases have already been transferred into the Better Care Fund.
2. The NHS reorganisation triggered by the Health and Social Care Act 2012 has made service provision more fragmented and complex (Ham et al., 2015). As a result, financial assurance and performance management systems command less confidence than previous regimes, which makes it more difficult to identify and address the financial risks to individual organisations and the healthcare system as a whole.
3. The quality and relevance of financial and operational performance data is often poor and opaque. Indeed, it may even be in danger of losing the confidence of key stakeholders both within and outside the healthcare system, as well as the wider public. Furthermore, as the Mid Staffordshire inquiry found, performance management

systems in the health sector can be gamed to distort the true picture and hide underlying problems.

4. At the same time, the Mid Staffordshire scandal may also have led inspectors to overcompensate by increasing their checks on quality of care. This may not be the best use of resources, especially during a period of rising demand for healthcare services and fiscal stress.
5. As the NAO has recently reported, the regulatory bodies need to work together more closely and have a more integrated understanding of each other's roles (NAO, 2014).
6. A continuing dependence on PFI/PPP funding for any major capital investment schemes may be storing up risks for the future. Initiatives such as 'Gateway' processes to check the value for money of particular projects during procurement do not mitigate these risks entirely. Indeed, the inadequacies and inefficiencies of the PFI/PPP process for capital funding have received little attention lately, perhaps because of the recession and consequent public expenditure restrictions.
7. Many NHS Trusts are failing to meet their cost improvement plans and quality, innovation, and productivity and prevention targets. Shortfalls are sometimes being met by non-recurrent savings. A number of Trusts also have concerns about achieving future savings, and almost nine out of ten did not meet sickness absence targets, which meant they incurred significant costs to pay for overtime and agency staff. There have been various steps taken to mitigate these pressures: for example, some Trusts and LAs have shown greater appreciation of the value and impact of volunteers in health and social care, and the Pharmaceutical Price Regulation Scheme introduced in 2014 agreed a limit on NHS spend on branded medicines, with all additional expenditure above this level paid for by industry for the first time. However, the amount that volunteers can contribute is difficult to predict with any certainty and previous price agreements have not proved to be as watertight as first thought. As a result, cost pressures are likely to continue.
8. The House of Commons PAC (2014) has identified, that the accountability relationship between the DoH and NHS England is unclear. The NHS outcomes framework sits alongside the outcomes frameworks for adult social care and public health, both of which involve local government. From an accountability perspective these bodies could be better integrated.

Overall, the complex nature of health and social care provision, together with an ageing population that will increase the demand for services, means that there is a wide range of value for money risks associated with the healthcare sector. Indeed, the very fact that numerous organisations are involved in providing healthcare, increases the need to ‘join up’ service provision and therefore results in greater risks to accountability, because the nature of these relationships may not always be clear.

Section 6 Themes, Commonalities and Differences

This report has identified significant changes in the nature of local public service organisations in England since 2010. In particular, reforms to audit and accountability arrangements, together with a reduction in capacity to analyse financial (and especially performance) data, have increased the risk that organisations from across different policy sectors may not be delivering optimal value for money. Other reforms, such as the Health and Social Care Act 2012, have resulted in an increasingly complex and fragmented landscape within specific service sectors. This fragmentation is requiring organisations to develop and nurture an increasing range of relationships with other organisations that now have responsibilities for service delivery and oversight, but may also obscure poor governance practices that put future services at risk.

The following subsections summarise the report's key findings, structured around the following key themes:

- review of accountability and transparency literature;
- accountability and transparency;
- information and its interrogation;
- governance, leadership and strategic management;
- reporting, scrutiny and intervention; and,
- potential value for money risks.

It draws together issues that are common to each of the sectors, highlights some areas of difference, and identifies how contrasting approaches have shaped the nature and extent of value for money risks associated with local public service delivery.

6.1 Review of Accountability and Transparency Literature

The review of accountability and transparency literature has shown that different arrangements exist between the local public bodies (Ellwood and Garcia-Lacalle, 2012; Ellwood, 2014; Ferry and Eckersley, 2015a) and that they do not necessarily react to changes in accountability and transparency in the same way (Hood 2010; Ferry 2015b; Ferry, Eckersley and Zakaria, 2015). It is therefore important that these areas are researched both separately and collectively and that any common evaluative framework that is introduced in practice, whether by the NAO or

other body, takes account of the nuanced complexities of the respective local bodies and their inter-relationships.

6.2 Accountability and Transparency Arrangements

In terms of funding, local public bodies in all four sectors are heavily reliant on central government funding. Although local government can levy Council Tax, this only accounts for a small percentage of LA budgets compared to other large European countries, and to all intents and purposes since 2010, any increases are capped by the Secretary of State. Similarly, local government has very limited scope to raise additional revenue through business rates (the Localism Act 2011 only permitted LAs to retain half of the receipts from new businesses operating within council areas). The FRS, together with police forces, also receive most of their income from central government: although both also levy precepts on Council Tax, the level of any increase is essentially restricted by the Secretary of State at DCLG. Funding for health services comes entirely from central government: either directly through NHS England or indirectly via ring-fenced public health grants provided to LAs.

In spite of the heavily centralised nature of funding arrangements, accountability structures vary across sectors but in all sectors involve a combination of central and local arrangements. For example, LAs are theoretically accountable to their residents through local elections, but in practice central government plays a pre-eminent role in overseeing and shaping their activities. The picture is similar in fire and rescue, where DCLG is the most powerful actor, although services are also accountable to local councillors via the FRA. In the police service, the introduction of directly-elected PCCs has introduced a more direct local element, but the emergence of a more standardised national reporting system also means that forces remain accountable to the Home Office for many activities. The picture is most complex in the health sector, where foundation status means some Trusts have a different relationship with NHS England than others, and recent structural reforms have resulted in a much more fragmented and opaque organisational landscape.

Similarly, there is some variation in the audit arrangements for the four policy sectors. Since 2010, audits have concentrated largely on financial *conformance* (in other words, the extent to which bodies are able keep within their budgets), rather than operational *performance* (the extent to which they are achieving strategic objectives). In addition, LAs and fire and rescue

organisations are now responsible for their own performance management arrangements, and are no longer assessed against DCLG targets through centralised frameworks. Nonetheless, some other central departments, liaising closely with sponsored inspectorates and regulators have taken a greater interest in how their policies are implemented at the local level. In particular, HMIC has developed a national monitoring framework for police forces and performance management is also centralised under CQC and Monitor in the health sector.

Since 2010, ministers have also introduced various reforms to increase the transparency of local public bodies. A transparency code requires both LAs and FRSs to publish various datasets online, including details of all transactions exceeding £500, and a similar code affects police forces. The picture is again more mixed in the health sector where attempts to introduce a standard list of datasets and publish them on a single national website have been slower to get off the ground.

6.3 Information and its Interrogation

The demise of bodies such as the Audit Commission, the Improvement and Development Agency and the National Policing Improvement Agency, along with a more general decline in performance management activity, has reduced the amount of available information relating to local public bodies. Nonetheless, DCLG and CIPFA continue to collect a wide range of financial and other data from LAs, FRSs and police forces. In addition, both the Home Office and HMIC collect police statistics, and the HSCIC (which is a non-departmental public body sponsored by DoH) does the same for health bodies. The LGA and CIPFA provide benchmarking facilities for LA services – although in most cases access to these performance-related data is restricted to participants and is only available via subscription.

However, the capacity to interrogate these data sets has been reduced in every sector since 2010. In particular, the abolition of the Audit Commission has meant that far fewer experts are devoted to analysing financial and performance information related to LAs and fire and rescue bodies – although HMIC is filling in some of these gaps for the police service. Unsurprisingly, the Audit Commission’s professional auditors have not been replaced by ‘armchair enthusiasts’. Furthermore, the capacity of external bodies (in universities, for example) is also limited (and falling). This is less of a concern in the health sector, where independent capacity

(in the form of NICE, HSCIC, universities and ‘think tanks’) remains strong and the Audit Commission did not have such a dominant role.

As a result of the decline in capacity, there is far less evidence available in general, and quality-assured compatible evidence in particular, to inform and assist LAs and FRSs in decision-making, although HMIC ensures that police forces are provided with some relevant data. Nonetheless, this represents a clear risk to value for money in local public services, since it will be increasingly difficult to identify whether decision-makers have chosen the most appropriate courses of action.

There is much less of a concern in the health sector, where capacity remains high and a longer tradition of evidence-based decision-making prevails.

6.4 Governance, Leadership and Strategic Development

Governance arrangements in LAs have remained relatively stable over the last five years: proposals to introduce further elected mayors were rejected by most cities in local referenda and a 2012 update to the CIPFA/SOLACE Good Governance Framework only made minor changes to the 2007 version.

However, the other three sectors have all undergone significant reform. In FRSs, the demise of the Audit Commission has required the CFOA to take a more leading role, whereas the introduction of PCCs has changed the way in which police forces are governed. Structural reforms to health services have also altered governance structures resulting in more complex, opaque and potentially incoherent arrangements across the country.

These changes have had a significant impact on leadership and strategic alignment, particularly outside LAs. In the FRS, the CFOA has struggled to prevent fragmentation and to co-ordinate the activities of service delivery bodies more effectively. Similarly, reforms in health have led to a fracturing of leadership and made strategic alignment more difficult, in spite of the introduction of cross-organisational Health and Wellbeing Boards.

In contrast, recent sectoral leadership for LAs and police forces has been more focussed through the LGA and the governance framework, and through the recent role of HMIC

respectively. This results in both sectors having a bit more strategic alignment than fire and rescue or health services.

6.5 Reporting, Scrutiny and Intervention

All four sectors continue to report to the relevant central government departments: for LAs and fire and rescue bodies this is DCLG, for police forces this is the Home Office, and for health services this is DoH and NHS England. In some cases this is also done through intermediaries, such as HMIC or the CQC, and health service bodies also report to LAs about their public health activities.

However, scrutiny is carried out mostly at the local level. In addition to internal services, councils' overview and scrutiny committees have responsibilities to investigate some services that sit outside the remit of LAs. Other bodies, such as FRAs (in the fire service) and PCCs and PCPs (for police forces) also have a role in local scrutiny. The picture in the health sector is more mixed, with the CCGs', LAs, Health and Wellbeing Boards, local HealthWatch and the Local Area teams of NHS England having what sometimes appear to be overlapping remits.

The relevant Secretary of State has the power to intervene in all four sectors, although they must consult with local actors and follow established codes. In practice, any local body that is experiencing difficulties is more likely to ask others within the sector for assistance, and rely on other local actors and sector bodies to initiate improvements. This approach follows a model that has evolved from previous interventions in LAs. However, DCLG is legally able to intervene in LAs and fire and rescue bodies, and the Home Office and DoH also have this power for police forces and health services respectively. Some research sponsored by the LGA has recently been published (Bennett et al., 2014), and further reviews are underway (Murphy and Jones, forthcoming).

6.6 Potential Value for Money ‘Risks’

This report identified how recent reforms to local public bodies over the last five years have increased value for money risks in all four sectors. In LAs, a key risk over the medium term is service failure: as the NAO (2014) has already identified, budgetary constraints may mean that some LAs no longer have sufficient resources to deliver statutory services. However, the underlying culture of budgetary stewardship, together with the legal requirement that each LA must produce a balanced revenue budget, means that financial considerations are likely to take precedence over service delivery. Budgetary constraints in fire and rescue similarly pose a risk to service delivery, as indeed they do in police forces and the health service.

More generally, the fact that all local public service bodies have very little control over their income streams means that they are not always able to respond to developments quickly by directing resources to wherever they may be required. Related to this, the Local Audit and Accountability Act 2014, as well as the continued reliance on PFI/PPP for capital investment, means that budgetary planning in LAs, fire and rescue bodies and police forces does not take sufficient account of long-term financial sustainability.

In addition, various structural reforms have increased risks associated with value for money. Specifically in the health sector, the restructuring triggered by the Health and Social Care Act 2012 has resulted in complex and fragmented arrangements that make accountability relationships unclear. Similarly, the abolition of centralised performance frameworks in local government and FRSs risks obscuring problems with service delivery and quality, since bodies are no longer required to monitor and publically report against clearly articulated and/or common targets.

The decline in standardised performance management arrangements since 2010 has been accompanied by a corresponding drop in capacity to analyse public data and support evidence-based decision-making. The abolition of the Audit Commission has not only meant that local residents and government ministers no longer have an independent check on how their council is performing, but officers within public bodies, academic institutions and consultants in general have a relative lack of publicly available and comparable information.

In this way, the biggest risk to optimising value for money in local services may actually be the fact that managers no longer have sufficient tools to identify where risks might exist, and therefore cannot take economic, efficient and effective action to mitigate them. To paraphrase the former US Defence Secretary Donald Rumsfeld, the number of “unknown unknowns” has increased markedly over the last five years, and this could have significant implications for the long-term financial health of local public service bodies.

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