

## Local public accounts committees Dealing with the governance of complexity at a local level

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### Introduction

Local policy-making is now defined by partnerships – some formal, some informal – between public sector bodies and between the public and private sectors. These trends have created greater complexity and raise challenges for governance and accountability. Where is the public pound being spent and by whom? Who is responsible and accountable for spending decisions? How are spending priorities aligned and how does delivery against these priorities get measured?

Governance has been getting more complex – and necessarily so. Efforts to span partners and partnerships – including the delivery of the Government’s “levelling up” agenda – require systems to be put in place to ensure that money is being spent wisely.

But following the public pound is harder the ever. This is a trend that we identified when, in 2014, we first developed and promulgated the idea of “local Public Accounts Committees” – locally-led bodies with a responsibility to knit together accountability and responsibility for outcomes across a “place”. Since then, we have published a short series of discussion papers developing and refining this idea – and inviting comment. Following on from the last of these conversations in 2018 we had a series of experimental conversations with a range of local areas (mainly, with local councils in those areas) about this model. That work led, in part, to our work on the “Governance risk and resilience framework”, which we published in 2021.

The Labour Party have confirmed that local PACs will be an idea they will seek to take forward in Government. The Conservative Government dwelling increasingly on governance accountability both through the systems proposed in the Levelling Up White Paper and the establishment of OFLOG. Given this, we think that local PACs present a solution to a pressing need, irrespective of policymakers’ position on the political spectrum.

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# Our local PAC proposal: why it is needed, what it will deliver, how it will work

## Why is it needed?

Assurance on value for money (VfM) in public spend is at the heart of this agenda and is the challenge which we designed local PACs to solve. Our conception of VfM encompasses the need to secure environmental and social value from investment and is framed around the need to promote equality – at a micro level, ensuring that local partners are pulling together in considering the complex needs of individuals who may fall between the cracks between institutions, and at the macro level, where big cross-partnership plans for growth and economic development have to have regard to the needs of everyone, particularly those who are less able to speak out in their own interests.

A big part of this is about bringing modern ideas of equality and social value to bear on the way that we traditionally conceive of “value for money” – it is about developing a mindset where there is consistency about how the impact of public spend is understood. A lack of articulation of long term goals and priorities – to bring together partners with common purpose – is what the Government’s levelling-up “missions” are about. But while this accounts for accountability upwards, to Parliament and Government, there remains a gap at local level.

This is also about being able to deliver on plans for “rebalancing” the economy and pursuing local growth. Since the abolition of RDAs and regional Government Offices, Government has grappled with the logistics and levers for taking action to invest in the local economy in the context of an ever-more-centralised state. A profusion of competitions and bidding pots has been created to service a range of not-always-consistent Government priorities – this has solidified a sense that the matter of local growth is so important that Secretaries of State have to take personal responsibility for its delivery.

The model we propose will facilitate a different – or perhaps just itself a more rebalanced – approach. Stronger local accountability should, we hope, beget stronger local freedoms. But the most important word here is, we think, the word “local”. Accountability and governance mechanisms have to be located in the places to which they relate – locally visible, themselves locally accountable and locally accessible.

There are also broader reasons to pursue this knitting-together. It reflects a need for more systemic action to tackle systemic problems. Individual institutions are increasingly poorly-placed to tackle these big issues.

Policymakers and others active at both national and local level have recognised the need for action here. In the last iteration of this paper, we mentioned significant activity and thought on the subject prior to 2018 – the RSA’s research commissions on City Growth and Inclusive Growth, the Centre for Local Economic Strategies’ research on “community economic development”, Localis’ “In Place of Work” and “Neo-Localism” studies and work by the Institute for Government on “the future of Localism” all highlighted the need for consideration of social factors alongside VfM in understanding the impact of public spend – of thinking in a more holistic way about what action and outcomes look like.

The levelling-up agenda places this narrative centre stage – the levelling-up missions are, to use an obtuse phrase, being “enshrined in statute” – and they all have a distinct social

component. Growth, and levelling-up, are no longer about increasing GVA – they are about making a direct difference to people’s lives, increasing opportunities, empowering people.

The policy landscape continues to move.

Some think that we are at the cusp of a shift to a new paradigm in community empowerment, something New Local has dubbed the “community paradigm”. Some of the public expect to play a more active part in how services are designed and delivered. This trend may have been accelerated by the pandemic – the experience of isolation felt by many has galvanised some communities but atomised others, and the ongoing cost of living crisis is doing the same. Climate change remains an ever-present threat – always in the background of public discourse, occasionally moving to centre-stage only to be pushed back down by seemingly more “immediate” concerns.

Policymakers have been thinking about the symptoms of some of these issues, and trying to prescribe solutions. In our 2018 discussion paper we were able to pithily summarise a handful of these. Now, it seems that they are too numerous to lay out, more serious and more systemic.

Onward, the centre-right think tank, has been exploring the disengagement of some young people from politics and the importance of public trust at the most local levels. Localis, also on the right, are taking forward work on public service integration which attacks the challenge from the institutional perspective but with a view to similar ends. Leftwards politically, IPPR has highlighted the need for us to rethink our “culture of governance” at a local level which an emphasis on “connectors” – people and organisations with the power and influence to link together to solve problems. Reform’s work on “Reimagining the State” posits the idea of public institutions that empower and support, that are outcomes-focused and led by long-term planning.

Our own work has helped to significantly refine our thinking too. Two recent publications – our work on “Docking in” (linking traditional accountability structures with more novel approaches to community empowerment and participation) and our “Governance risk and resilience framework” are particularly relevant contributions.

The policy prescriptions for addressing these challenges are many and complex, and will involve many different people working together at local and national level. This really is the crux of the reason that we feel that local PACs present part of that solution – not the whole solution – but a way for people at local level to think differently about the “state”, its relationship with local people, and the way that action undertaken by public sector bodies (and those exercising public functions) can be subject to vigorous oversight in the interests of local people.

For us, it remains the case that some of the big questions that need answers are:

- How are services funded, and how is that funding overseen?
  - Funding for local services comes from a huge range of different sources. A local PAC can help to unpick and understand how spending is joined up so as to make a difference to local people’s lives;
  - A vast range of different organisations, in the public, private and voluntary sector, are involved in service delivery. Relationships are based on a complicated web of contracts and agreements, many of them subject to minimal public scrutiny and hidden from view because of commercial confidentiality. Levelling-up provides an opportunity to simplify those arrangements – as do Labour’s plans for local public service renewal;
  - There is evidence of cost shunting and cost duplication between various parts of the public sector, which provides poor VfM to taxpayers, and potentially poor services too. This was highlighted by some of the messiness around the

- national and local pandemic response but is also thrown into relief by the cost of living crisis;
- Devolution deals bring with them significant additional funding, which is subject to some oversight, but this oversight focuses on the deal and the national/combined authority relationship, not the relationship that combined authorities have with their citizens.
- How are decisions made, and by whom?
  - Decision-making in partnership often happens in private and/or informally, in ways that are unpredictable and difficult to understand;
  - Recent trends are moving towards making this kind of governance – across partners – more complex. The creation of count combined authorities, the drawing into the orbit of PCCs of responsibility for fire services and the creation of Integrated Care Partnerships are all examples of this;
- How can we therefore have confidence that services are value for money – and that partners have a shared understanding of what “value for money” means?

## What will it deliver?

### The importance of culture

A local PAC would engage head-on with the challenge of the governance of complexity. To be effective in doing this it would need to focus not on the structures of partnerships, the legal relationships between partners or the way that performance and delivery are “formally” managed, but on culture.

Culture is critical to value for money, and to the shift in thinking involved in differentiating between the needs of individual institutions and the outcomes they can deliver and the idea of “public spend” across a space in its totality.

We have suggested a framework for local PACs which emphasises that they are locally led but based on a national framework of powers, with a narrow and well-defined role (focused on culture and mindset) that complements other local actors.

They will exist to act – to identify, act and report on risks, to knock heads together, to give local organisations, Government and local people the confidence and assurance that public services are properly joined up, and to shine a light on novel delivery methods which might currently sit outside the governance systems of any one organisation. They are about promoting a culture of innovation, learning, sharing and openness – between partners, and between partners and the public.

We will know that local PACs are effective when local partners and partnerships work in ways that reflect a culture of openness and accountability and are driven to engage with a wide range of others – including local people. Practically, the outcomes for a successful PAC would be:

- Local decision-makers to be more easily identifiable. Individual responsibilities will be clearer, and the intersection between the responsibilities of individual bodies and “the partnership” will be clearer. As it stands in many areas, there may be detailed bilateral agreements between partners, and general agreements across a partnership, but little information available publicly about the division of duties in a more comprehensive and comprehensible way;

- Systems of accountability between partners (for service delivery in particular) to be understandable, with decision-makers' behaviours and attitudes backing up the governance systems that exist on paper. Ethical issues (particularly those relating to conflicts of interests) will have been flagged up as part of the detailed design of the above systems – meaning that there are fewer chances that administrative solutions to such problems will need to be invented on the fly;
- A more understandable process for policy development – backed up through robust and consistent data collection and sharing across the area (see below);
- The public to influence decisions, policy, and performance at the right time. This involves partners together having consistent systems for public involvement and engagement on key issues and decisions at all levels of decision-making;
- Assurance to be provided on the way that organisations individually and collectively establish whether public expenditure is VfM.

### The importance of data and information

One of the principles that underpins effective partnership working is the sharing of information, and the use of that information to plan and design services.

Public bodies have in recent years taken a number of approaches to how they think about drawing this data together. Developments in technology have made the accretion of data easier, but it is often still help within organisational and institutional silos. A case in point is OFLOG – this new institution will, we understand, gather data and information relating to the health, financial viability and service outcomes of local government – but as we have seen, local government are one of many actors.

Rather than a top down and prescriptive model for data management, we prefer a model that is more collaborative. Its publication enables anyone to analyse it and to reflect on its meaning – a democratising of data and information where different interpretations of spending, and the impact of spending, can be subject to public debate and scrutiny. This suggests something similar to the promise of “armchair auditors” from over a decade ago, but a strong local PAC would frame and focus this local accountability in a way that the 2010 localism agenda was unable to.

A local PAC would need on it (and working to support it) individuals who understand the challenges and opportunities arising from data and information and the increased opportunities provided by technology to draw conclusions from it (often in real time). A local PAC would itself need a robust way to draw together, sift and understand information in order to carry out its work – the amount of data produced and available locally is colossal, and it would be very easy for a PAC to drown in it. PACs will need to be able to take a more discriminating approach, using data to underpin how work is prioritised as well as to challenge the design and delivery of VfM services.

## How will it work?

### The duties and powers

In order to deliver the outcomes we have talked about – both improvements to culture and to the way that local partners use information, alongside bringing a forensic approach to value

for money to bear on local services, a local Public Accounts Committee would be a body with the following duty:

**To hold to account the delivery of public services by organisations working together across a locality, and to investigate the value for money of those services.**

(This was the central purpose that we identified for local PACs in our 2018 discussion papers – we consider this to be unchanged, although we would note our slightly more expansive description of “value for money” as well as our renewed focus on culture as a driver for local PACs’ work).

The local PAC would not look at the day-to-day activities of individual organisations – which have their own, existing governance arrangements. It would however need to be aware of the roles, duties and work of those organisations, using that insight to look at the way these individual organisations interact. In particular, it would examine the way that VfM is used as a driving force to align the priorities of different bodies delivering public services.

Because of this, local PACs would be “strategic” institutions but we recognise that operational matters – where they are complex, reveal serious local shortcomings and demand a cross-partnership response – may well need to be investigated. The ability of local PACs to be able to do this – constructively, in support of institutional accountability arrangements, and with a high public profile – will we think be critical to success.

There might, for example, be an expectation that some broader, systemic issues identified through the governance systems of individual organisations might be “escalated” to the PAC. The PAC could also provide support and advice to those engaged in non-executive activity in the local area – a resource, or host, for local accountability across the place.

Importantly, a local PAC model would be scalable and sustainable. Its strategic focus would mean that, as more services come under local control (and hence the purview of the PAC), substantial changes to its means of operation would not be necessary.

Meaning of “public services”, “locality” and “value for money”

Our description of the duty demands that we explain the meaning of these words:

- **Public services** are services delivered with support from public money. Rather than the powers of a local PAC being limited to some named organisations, this would see it having the freedom to follow the “public pound” around a local place – across all sectors. We consider that getting the definition right – and accepting that it involves certain institutions being subject to this form of public accountability in a way that they will not have previously been used to – is an important part of success. For example, it posits the possibility/likelihood that Government Departments could be subject to local PACs, and to this end an agreement between local PACs and the “national” PAC would be important in determine who holds who accountable, and for what. There is a difference we think between “public services” (services directly funded by taxation and/or subject to statutory provision, in some way) and services of a public nature, like utilities, which are paid for by customers and largely in private hands;
- **Locality** is the area covered by the local PAC. We think it makes sense that councils, local communities, and local partners think together about the best geography for a local PAC. Because we think they are best tackling strategic cross-boundary issues, we think a larger footprint would be more appropriate – one that aligns to a county

and/or combined authority area (importantly, we do not think that local PACs should be simply enhanced combined authority overview and scrutiny committees);

- **Value for money** we have already explained as having a focus that focuses on social value and the culture of collaboration as much as economy, efficiency and effectiveness.

#### Possible powers

- **“Enter and view”** – similar to powers held by Local HealthWatch. “Enter and view” is about giving a PAC the right to directly inspect and investigate public services, to speak to those in receipt of those services, and those delivering them. This would need to be managed in such a way as respects the individual sovereignty of the organisations concerned;
- **Rights of access to papers and documents** held by any organisation delivering, commissioning or otherwise directing public services in the local area. This right would need to be broadly expressed to be meaningful, but we think it might need to be subject to agreement at local level subject to a permissive national framework;
- **Rights to require people to attend and answer questions.** This right would need to be carefully expressed and proportionately applied. The focus of evidence-gathering sessions in public – to which witnesses would presumably be invited – would need to be on partnership issues and their intersection with VfM, rather than specific service issues. There is a risk that the local PAC, in taking evidence like this – especially in respect of high profile issues – would be seen as directly holding to account institutions and individuals for operational delivery;
- **A power to require a specified response to recommendations.**
- **A specific audit function.** The audit needs of different kinds of organisation are likely to themselves be very different. CfPS does not propose that a local PAC might undertake an “area-wide” audit in addition to these activities – it would be counter-productive and costly. However, the PAC could review the outcome of those audit exercises, review associated risks, identify instances where risks are shared, and make recommendations accordingly. Although this was a component of our 2018 proposals we think that the outcomes of the 2020 Redmond Review into local authority highlights the need for this kind of action.
- **Failure intervention.** While we do not consider that the local PAC should have a permanent role in the scrutiny of individual organisations, we do consider that it should have such a role on a temporary basis. Primarily, this would be where when service failure (or the serious risk of service failure) has occurred or is occurring, and increased oversight and improvement support is necessary – this support/oversight could be co-ordinated, and provided, by the local PAC. (We are conscious that there is a wider context for local government here relating to the Best Value regime – we consider that what we propose here would have a complementary role to that currently provided through the BV and intervention regime, as it currently exists and as it may evolve in the future.

## How would PACs be supported, and where would their powers come from?

In the short term a local PAC's powers would derive from local agreement. Between them, local organisations could agree a range of powers and duties for a local PAC without the need for Government backing (or to augment and develop powers provided for in statute). This having been said, our experience in recent years suggests that the provision of a framework in statute is likely to provide the way only to make these arrangements viable – the creation of novel agreements for local PAC-like activity has proven extremely challenging in areas where we have had exploratory conversations with people at local level about piloting some of these ideas.

### Practical operation

#### Operating models and funding

In the short term, we think that the best model for establishing local PACs is for them to be hosted by an existing local organisation. This might be a council, or a combined authority, or some other body. In legislation this might be a “baseline” model of operation. It is worth noting that even if hosted by a council it would be important to recognise that local PACs would not be “local government” bodies.

For the PAC to take a forensic approach towards VfM would require the appointment of people with expertise in finance, accountancy and public policy, and with expertise in these matters across a range of local bodies.

We think that there are three models for NAO-style “officer support” to local PACs:

- Officer support drawn from the NAO nationally with limited administrative support at local level – here, the NAO would act as a central resource, in a way that would build on and bolster its thematic VfM work. The risk here is that officer support is too remote from the needs of local PAC members, and delivered in a way that is too generic, and reflective too much of national priorities than local needs;
- Regional support, with some national assistance. Here, regional hubs could exist with specialist support from which local PACs could draw. The staffing arrangements for individual local PACs could still be fairly minimal;
- A wholly independent local PAC with its own dedicated secretariat. This model would require independent funding. There is something to be said for the transparency and local focus of the model but we also consider it to be politically challenging. For example, a local PAC with its own secretariat capable of taking forward action of the type we have described (with fairly limited national support) would probably cost around £500,000 annually. Assuming (say) 35 local PACs across the country means an annual cost approaching £20 million, which is a tough (arguably unrealistic) ask at a time of straitened national resources, even if the argument could be made that this kind of focus on VfM and collaborative working would in the long run save money.

It should go without saying, but local PAC meetings would happen in public. Although they would not be local government institutions we think that the meeting rules for local authorities in the Local Government Act 1972 probably provide a useful (and familiar) framework for them.

#### Membership

We think that the membership of a local PAC should be as follows:



- Chaired by an independent person (as with local audit committees);
- A mix of non-executives from local authorities and other local organisations, probably with a majority of elected councillors.
- Co-opted experts who have specialist knowledge.

The local PAC would probably need to establish time-limited task groups to carry out some of its duties. The local PAC itself would probably work best if its members numbered between 12 and 15.

Members should benefit from an allowance reflecting their responsibilities. There would need to be agreement about issues such as the length of membership term.