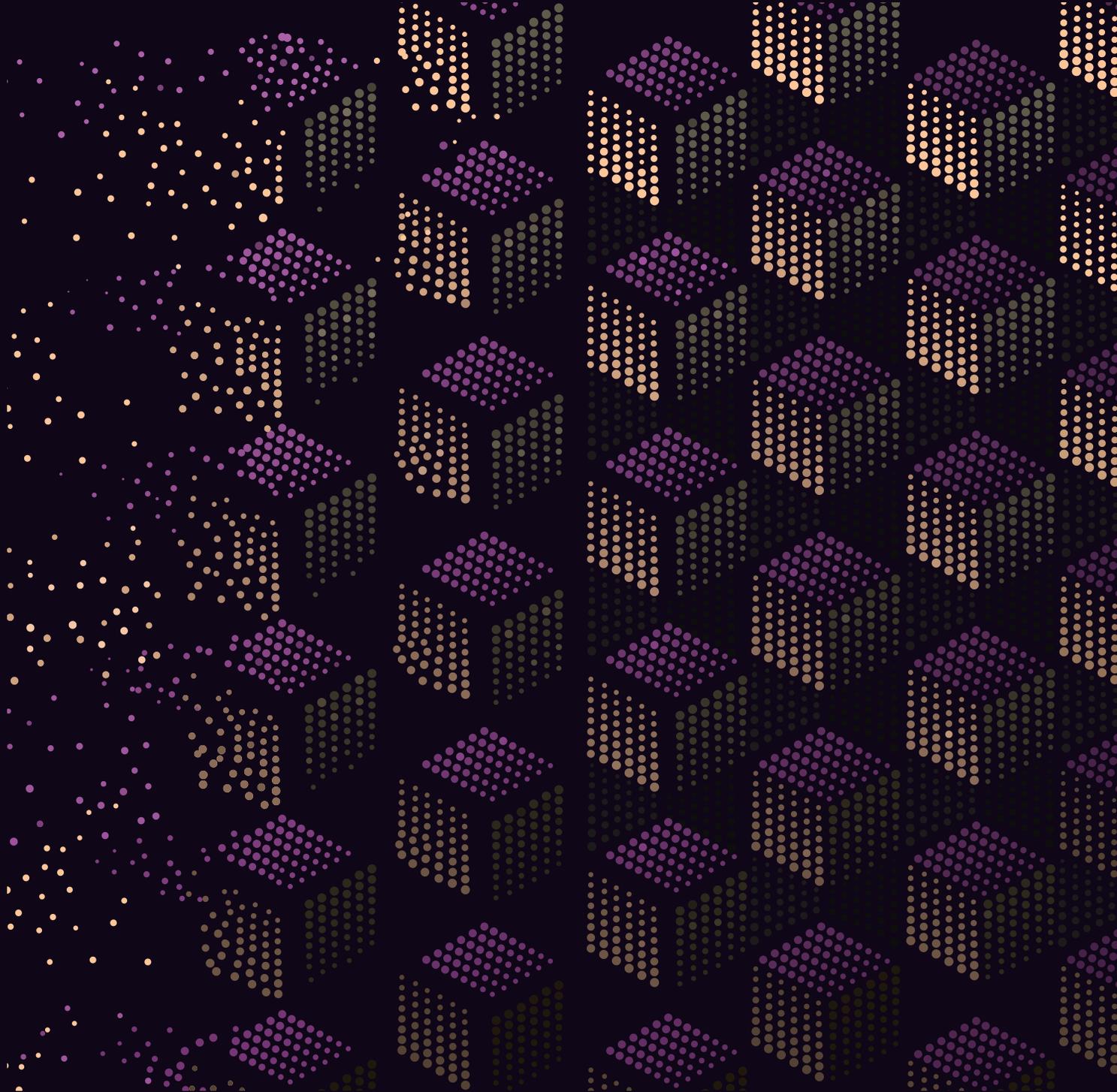


# Talking about tomorrow

OCTOBER 2019

People and place  
in a new age



This is the 10th in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading public sector practitioners and experts, examine people and place in a new age, and the implications for the financial management and delivery of public services

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# FOREWORD



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## How best can public sector leaders respond to the political maelstrom that has engulfed the country?

It would be all too tempting in these difficult times to view debates over the role of people and place in local service delivery as something to be addressed once the turbulence is ended. Tempting, but wrong.

If anything, a re-examination of new and innovative ways to deliver local services – and empower the communities that have been so severely bruised since the 2008 financial crisis – has never been more timely. Local government is at a critical tipping point. On the one hand, it has to grapple with providing essential services in the face of unprecedented cuts and soaring demand, and avoid falling over.

On the other, it must maintain medium-term financial stability and sustainability by developing its tax base and promoting system change within the “local state”.

Many councils have creatively risen to this challenge. They have re-engaged with local communities, and reinvented the service delivery rule book.

Across the public sector, new structures are emerging that break down silos and provide services in a more holistic, integrated way.

As Barry Quirk argues in this *Perspectives*, this empowering approach can potentially help unite our deeply divided nation and restore civic trust. At their best, he says, councils – with their deep roots in local place – can be in the vanguard of this process.

The less good news is that financial failures, notably in Northamptonshire, have hollowed out services to the barest minimum.

Current economic uncertainty has encouraged short-termism and – “end of austerity” pledges notwithstanding – piled yet more pressure on already stretched budgets.

The exam question then for public finance professionals is how to avoid such failure and ensure sufficient scrutiny and oversight.

This is where fresh thinking comes in. Do we, as Mike Emmerich argues here persuasively, need a radical new local government settlement in this turbulent new age? One that guarantees stable, long-term funding for our cities, towns and regions, but also looks at their challenges through a “constitutional lens”.

Greater fiscal and legal autonomy for people and place has long been, rhetorically at least, on central government’s agenda. Perhaps now, in the spirit of never letting a good crisis go to waste, is the right time to press that message home.

We hope this essay series adds to that discussion at this critical juncture for debate about local performance and devolution.

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THE NEW  
ORDER

# What is local government for?

ESSAY



BY BARRY QUIRK

Councils must be at the centre of efforts to engage with local communities and restore public trust



**Barry Quirk** is  
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PARLIAMENT WAS IN DISARRAY. Its members were caught between fleeing from the chamber and locking themselves in committee rooms. Serious discussions were held about relocating parliament from London. The year was 1858, and the cause of the commotion was the Great Stink. In the 1850s the Thames was full of effluent and parliamentary debates were continually disturbed by the awful smell from the river. At the time, Charles Dickens described the Thames as “a deadly sewer”, and by 1858, parliament’s curtains were drenched in lime chloride in an attempt to drown the appalling odour.

In the 1850s some 2.7 million people lived in London. Most lived in homes that had their own cesspool. And ironically, the rapid development of sewers actually made the situation worse. The master builder Thomas Cubitt wrote that “scarcely any person thinks of making a cesspool, but it is carried off at once into the river. The Thames is now made a great cesspool instead of each person having their own.” Private interest was creating public squalor. Investment in public infrastructure was desperately required; investment in new public goods for the broader common benefit.

The parliamentary response to the Great Stink, together with the discovery that cholera, which had regularly swept through London since the early 1830s, was a waterborne disease, provided the impetus for a major restructuring of local government in the capital and massive investment in sanitation and sewers projects under civil engineer Joseph Bazalgette.

Public investment was urgently needed to remedy the serious health problems generated by the blinkered pursuit of private interests. However, the 1850s challenge to clean the Thames is but nothing to the current challenge to halt and reverse the gathering global ecological crisis.

## Wiser not leaner

Of course the interplay between the actions of the state and the operations of the market is not just seen in the case of London’s Victorian sewers. It can be seen in the 21st-century banking and financial services sector, and in the public financing of local public services as diverse as libraries and policing. Indeed, it can be argued that the state (including the local state) is itself a public good. As the economic historian Robert Skidelsky has argued: “The community invests in the state by paying taxes. How much tax people are willing to pay is a reasonably reliable indicator of how much they think the state is worth.”

Citizens pay their taxes to help local government finance and deliver an array of essential public goods that private markets do not, can not and will not provide. These goods include, in addition to building common infrastructure and delivering vital welfare services, the costs of regulating competition in private markets, as well as the costs of sponsoring cooperation in civil society.

But when we think about the future of local government it is important that we look back to the foundational roles of the state: reducing public harm and delivering public

goods. For several decades these classic purposes have been overlooked. Instead, new public management (NPM) and government-induced austerity programmes have dominated public policy in the UK. The focus has been on making government services leaner when the emphasis should be on making them wiser.

New public management emerged in the 1980s, driven by a perceived need to promote quasi-market models, commercial disciplines and the injection of private-sector practices into government services. In the UK this began with enforced competition, outsourcing and customer charters, followed by the “deliverology” of centralised performance reporting and a battery of managerial techniques. Some of these techniques improved the service user orientation and the cost-effectiveness of government services. But unwelcome and adverse consequences also occurred.

More recently, public policy has been becalmed by the widespread adoption of a model of government developed in the aftermath of the 2008-09 financial crash, focusing on how best to achieve reductions in government debt and deficits. The policy was fiscal consolidation; the result was austerity. Actions to reduce spending were driven by the assumption that government is replete with inefficiencies, waste and duplication. From this it follows that substantial reductions in costs can be achieved with only marginal impacts on effectiveness.

Of course, there are instances where the mantra ‘the same or more can be achieved from less’ holds true, but it is not universally so. For example, the digital transformation of services undoubtedly offers the prospect of substantial change to the cost of service delivery. But even in this area, the techno-utopianism of the early 2000s has been blunted by the costly and emerging darker side of the digital economy.

Together the twin pillars of NPM and austerity thinking have twisted our approach to public goods. We need to bend our thinking back into shape. Of course, cost reduction and productivity improvement approaches are vital in shaping the future of public goods. Doing things more cost-effectively so as to save money for the taxpayer is important. But lowering the cost of government is a means, not an end in itself. It focuses our attention more on the “how”, and less on the “why”. Of course we need to focus on how to make government services cost less. But an overly narrow focus on cost can be self-defeating; it can divert us from attending to the “why” of re-imagining public purposes for the new age.

Throughout the past decade there has been no attempt to provide evidence that local government is any less efficient than other parts of the public sector. Nor has there been any attempt to show that reductions in local government services generate less harm to the public at large. Nonetheless, over this period local government service spending received the largest proportionate reductions in core funding. In this area, at least, the once vaunted evidence-based approach to public policymaking was shown to be an approach to which successive governments have been only rhetorically attached.

The recent easing of fiscal consolidation (the so-called “end of austerity”) is a

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‘It is essential that the public has reliable assurance about how local bodies use and account for their money’

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highly welcome turn of policy. But this is just the small beginning of a much needed change in direction. It's at moments like these that we need to return to first principles and re-examine our spending priorities. What is local government for, and how do our investments and services deliver new purposes?

### **A new community model**

As the policy regimes of NPM and austerity begin to fade, what is to replace them in local government? The focus on resourcing our services has deflected us from our goals and ambitions as a sector. Since the 1980s the emphasis has been on the management side of local government and how it needs to improve its overall competence. And the need to improve is unlikely to lessen if the gap widens between citizens' experience of public services and their experience of privately purchased services. There will also be real pressure to examine the core functions of local government and to reinvent the style and substance of its political and community leadership. The long-run future of local government stewardship of social care (of both adults and children) is bound to be questioned, given the variety of service outcomes nationally and the critical importance of these services to the lives of our most vulnerable residents.

But it's the role of councils as vehicles for community self-governance that may receive the most attention. In its recent report, the New Local Government Network suggests a new community model for local government. It rightly argues that a transactional approach to designing and delivering services produces passive service recipients. Instead it suggests a new style of operating where councils collaborate actively with people as partners. The report is more a compass than a route map. But at least it points in the right direction, by emphasising the importance of community and the question of power.

Power is at the centre of our national political debate: who has it; who wields it; and for whom is it exercised? In our heavily centralised state we talk of devolving power. But devolving what. And what for? In local government we regularly argue for "freedom from" government strictures and controls, but we rarely say what we want the "freedom for".

In a powerful account of how change happens, international development expert Duncan Green explains that there are four paths to power:

- Power over: to dominate and subordinate others
- Power to: to mobilise resources and act autonomously
- Power with: to share and collaborate with others
- Power within: to build one's internal capabilities and confidence to act

Local government traditionally spends too much of its energies on "power over" and "power to". And this criticism applies to politicians and professionals alike. The democratic legitimacy of elected politicians is real but fragile. And the expertise to which many public service professionals cling is no longer a sign of their comparative good judgment, nor is it a source of deference towards them. That is why the next two decades must involve expanding the circle of power – of the "power with" and the "power within".

The first obvious step in expanding "power with" involves reshaping how elected members work with and alongside their communities. Representative democracy is under enormous pressure nationally. It is creaking at the seams. The rapid rise and spread of the digital information age has fractured the political reality. As media analyst Martin Curri has argued: "People from nowhere, free of institutional entanglements, pushed the elites out of the strategic heights of the information sphere. Almost immediately, great institutions in every domain of human activity began to bleed authority. It is no surprise therefore, that a recent comprehensive review of trust shows that the public's trust and confidence in parliaments, governments and political parties is severely depressed in many countries, including the UK.

But similar challenges are faced locally. The fractured relationships between the public and local government are real and as potentially damaging as that faced by national government. Proximity is no guarantee of connectedness nor favoured status. At their best, councils curate the future of their localities for the better and focus on solving local problems in consultation with local people. This means they have to get people together and help them engage with each other in a spirit of creative dialogue and deliberation. Listening deeply and attentively to lots of

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'It's at moments like these that we need to return to first principles and re-examine our spending priorities'

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diverse voices tends to lead to pragmatic pluralism. That's why local government is potentially at the vanguard of reconciling the country's current divisions.

Councils in Northern Ireland are leading the way. In the context of ever changing sectarian divides they continue to seek progress in the civic realm, despite the fact that people strongly differ about what should be done. Simple invocations for unity are not enough. The arithmetic of politics may work in parliaments and council chambers; it seldom works in diverse or divided communities. That is why councils need to cultivate civility and civic responsibility. But they can only do this if civic literacy is high and civic activism is encouraged. Open-minded and open-hearted civic dialogue in localities may begin to reconcile and help resolve people's differences. Agreeing to disagree peacefully is the start of moving forward together. Leaving space for disagreement and dissent is essential, while the goal of achieving unity is probably for the birds.

The second step involves helping people and communities develop their "power within". Power is not a service transaction but a potentiality we each possess. Greta Thunberg, the young Swedish eco-activist, has enormous power, far exceeding most of that possessed by the world's environment secretaries. Of course she is not re-allocating resources in the here and now, but she is grasping our attention and reframing mindsets. Something that most leaders would dearly wish to be able to do. Structured and systems approaches to change minimise the important role of individuals and small groups in generating large-scale change. The cultural anthropologist Margaret Mead is alleged to have said: "Never doubt that a small group of thoughtful, committed citizens can change the world: indeed, it's the only thing that ever has."

We are approaching a major point of inflection for our politics, our governments and our communities. Unlike in 1858, the disarray of our current parliament does not spring from the rising odour of the Thames but the collapsing order in our times. This collapse is driven by the digital information age, the confusions of truths, half-truths and mistruths it produces, and the peculiar mix of utopian hopes, despair and rage it encompasses. In so many ways this collapse is healthy because it reflects a more equal and expressive society. A society that leads itself and doesn't simply follow its leaders. Perhaps our parliament disagrees because we disagree. Our hope must be that our disagreements are strengthening our democratic impulse. That they are enlivening our civic dialogue and educating us about how, as citizens, we should conduct ourselves in the 21st century.

Local government is special because it is anchored in places. And places really matter to people. Places offer a sense of personal attachment, belonging and identity. They offer memories of one's past and personal journey, and offer hope for one's future. Locality is where we live, work, learn and grow. Our connection with others starts in everyday dialogue at the local level. Unless local government becomes brilliant at enabling this local dialogue and deepening our democratic practice, all of our other minor and major successes will count for nothing. ●

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'We are approaching a major point of inflection for our politics, our governments and our communities'

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# Power to the places

ESSAY



BY MIKE EMMERICH

Our cities and regions need a new constitutional settlement. One that really addresses the local democratic deficit



*Mike Emmerich is the founding director of Metro Dynamics, and a former No 10 policy adviser*

HOW TIMES CHANGE. In early 2001, I caused a terrible row. I was a senior civil servant working in the prime minister’s policy unit, headed at that time by David Miliband. Our brief was to come up with ideas to empower local government and promote city mayors, then the government’s policy and a favourite of Tony Blair’s. The principle of “earned autonomy” was flavour of the month back then and we floated the idea that cities with mayors should be given more powers than those without, to create an incentive to adopt the mayoral model.

The prime minister agreed with this principle, but ministers in what is now the Ministry of Housing, Communities & Local Government did not – far from it. First, they rejected the notion out of hand, and then did so at more elaborate length, bolstered by advice from their civil servants. If the words “constitutional outrage” were not used, then they were definitely implied. One could not, it was argued, give more responsibility to some leaders simply because of the means by which they came to power. The idea did not make it into the 2001 local government white paper, let alone the subsequent legislation.

Some 13 years later, the government proposed the idea of metro mayors and in 2016 the first of them were elected. With these city region mayoralities, came powers and resources not available to cities without a mayor.

Five years after that, the Supreme Court found that our prime minister had acted unlawfully in his decision to suspend parliament.

The moral? Our unwritten and infinitely flexible constitution can mean different things to people at different times. In all the cases cited above, there was a complex mix of noble intent and high politics.

Does this matter to local government? It probably does. For a start, our constitutional arrangements are flexible enough that the prime minister could abolish every council in England with a majority of one in the House of Commons should they so choose. This situation, in stark contrast to the rules in many other advanced nations, must have an impact. Government decides what councils do and don’t have responsibility for, and in so doing plays a decisive role in their resource base too.

In Germany, the roles of the regions (*Länder*) and several city states are a constitutional fact. Article 30 of the German Basic Law (constitution) states: “Except as otherwise provided or permitted by this Basic Law, the exercise of state powers and the discharge of state functions is a matter for the *Länder*”. Germany then is a federal state with both a central government and *Länder*, each of which have their legislative and administrative roles. Importantly these are both constitutionally derived and exercised independently.

Some argue that Germany’s federal nature arises from its lack of a dominant city; Britain, by comparison, is heavily dominated by London and the South East. This raises the question as to whether our unwritten constitution, rather than countering London’s economic dominance, actually serves to embed it in the fabric of the nation. I think it does.

These are issues on which we English tend not to dwell. We have a reputation as common law pragmatists and even if our economy has become skewed over recent

decades, most of us have an instinctive dislike of over-formalisation in the affairs of government. But perhaps now, with the country stuck in the middle of a Brexit process which is pushing at the boundaries of these unwritten “rules”, is a good moment to pause and reflect on whether or not the status quo really works well enough to justify such a *laissez faire* view.

### **In the trenches**

Some of us who have spent years in the trenches of devolution believe that the current process of decentralisation that began with the creation of the mayoral combined authorities in 2016 may need to be secured by a constitutional commitment if it is to fulfil its potential. The devolution we have so far is weak, not just politically (the mayors have few devolved powers and little leeway in their combined authorities) but economically too. The resources they have are the fiscal equivalent of homeopathic medicines, too weak to be effective.

Yet these mayoralities mark a major breakthrough. First off, they exist. There are now eight metro mayors covering over a quarter of the English population outside London. That is no small achievement. Before them, we had a string of tinkering reforms, damned as “devolution-free devolution deals” by one council leader. As we have seen over transport, homelessness and other issues, even these underpowered mayors are a force to be reckoned with.

The Labour government, which sought in 2004 to create regional government, had been divided over its importance and even its desirability (it was also in favour of mayors as discussed above and therein lay the politics). Whitehall succeeded in watering down the powers of the proposed elected North East Regional Assembly and the resulting North East England devolution referendum on its creation went against by a margin of four to one. With it went the hopes of devolution for a political generation. A conservative, Whitehall, view of devolution had won.

By contrast, a political generation on, there were no referenda for the metro mayors. They were voluntarily entered into by some places and not others. But of the relatively few powers and budgets devolved to them by what is now the Department of Business, Energy & Industrial Strategy, most had been abolished in the period between announcement and implementation. This always struck me as cynical, all the more so as I’ve watched HS2, Brexit and all the other contortions of our state. Central government has all the power and still finds it hard to chart an effective way to use it consistently.

Perhaps the most remarkable thing about devolution in that period is the fact that the decisive leadership came, not from the cities, but from the then chancellor, George Osborne. He and his team pushed the agenda and overcame the resistance of government departments to make it happen. The problem is that two years after starting the process, he left government and none of his successors has had the appetite or power to continue what he started. ►

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‘The resources they have are the fiscal equivalent of homeopathic medicines, too weak to be effective’

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**Work in progress**

Devolution is a work in progress and needs completing. That is not to say that everywhere should have exactly the same model; it is worth sacrificing uniformity for effectiveness up to a point. But it would help all concerned if the government had a plan and stuck to it. That doesn't mean the recreation of a 1972-style blueprint. There is nothing wrong with devolution deals, but they need to be pursued with real intent. The best way to do that might be, for the first time, to set government, our cities and towns, and the mayoralties that serve them, a meaningful but achievable goal; perhaps the one spoken of recently by the prime minister, of levelling up growth, over the medium term. That, after all, is why we are having this debate in the first place.

Devolution so far is a story of initiative, personal whim and fudge rather than strong governance. There is a great deal of clear blue water between this and the dirigisme of Francois Mitterrand's grand regionalisation in France. We may or may not benefit from that approach. But we need to do something. The status quo isn't working, and needs to change to give our cities and regions the power and access to the resources needed to grow and tackle their social problems.

We could, and should, consider a quasi-constitutional role for city regions and counties. If not, the government and local places need to start being even bolder with their policy proposals to show they are serious about this.

There is another, equally important, debate we need to have, about the role of local government as an anchor institution. Our economic focus on mayoralties based on natural economic geographies is at least as reasonable as successive governments' amalgamations of local authorities, and the creation of larger and more efficient unitary local authorities. But what if, in the process of creating larger unitary councils, we unwittingly undermine the institutional strength of places and the power of local leadership in towns and cities?

Recent research by German academics on the fiscal and political implications of amalgamating larger local authorities in Germany and Austria found that reorganisation didn't reduce costs or staff numbers. They did find that voter turnout in these places fell consistently and support for rightwing populists increased. The evidence on the cost savings of amalgamation in England may be more robust, but the democratic and political considerations involved have never featured much in our debate.

We certainly could have given more serious thought to the howls of indignation – and indeed to the quiet acquiescence – as town halls closed in many towns and parts of cities. It may just be that we have inadvertently weakened the link between people and government. If so, it's another reason for looking at local government through a more constitutional lens.

One solution to the sense of local disempowerment, and an essential part of the devolution process, is the delegation of powers. We haven't heard enough about the famous "licensed exceptions", whether through city deals or mayoral combined authorities, promised by Greg Clark when he was cities minister. That's because the government hasn't let it happen.

Finally there is the issue of money. Devolved city regions don't have their own adequate financial base and need to bid for too much of what they do have. The councils that make up a mayoral combined authority have a financial system that is underpowered and increasingly unfit for purpose too. So more stable and long-term funding is needed to enable councils and combined authorities to do their jobs.

And, as I have argued to everyone who has worked on local government finance in central government since the distant days when I did, we will not adequately reform local government finance through the machinery of government. It is too big an issue and needs a cross-party process to deliver a consensus. We need a 21st-century, fit for purpose, royal commission on sub-national funding.

If we get all that right, which is no mean feat, we'll have moved on from the game where we are too focused on the boundaries of power and not enough on what to do with it. Perhaps the real victim of our constitutional system is that the rituals of the relationship rather than its purpose have dominated.

If the government can bring itself to extend a constitutionally secure position to councils, combined authorities (and their local enterprise partnerships), giving them real responsibility, then we'll have moved on. If places really use those powers to address the big economic and social issues they face, we'll have cities and regions up to the job of tackling the serious challenge of levelling up growth and inclusion in our country. ●

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'We could, and should, consider a quasi-constitutional role for city regions and counties'

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LOCALISM  
REINVENTED

# Mindset over matter


 ESSAY


BY DONNA HALL

A new paradigm is needed for the successful delivery of public services. One that puts local communities firmly in the driving seat



**Professor Donna Hall,**  
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 New Local  
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 and of Bolton NHS  
 foundation trust*

DIRECTORS OF FINANCE and chief officers working in the public sector, along with policymakers and practitioners all over the UK, are struggling to cope with a rising tide of demand alongside reduced real-term budgets. Meanwhile, a quiet revolution is taking place.

This shift in mindset has become more urgent as councils, police, schools, the NHS and housing associations realise that they can't go on cutting without investing in real change. This means building strong, happy, healthy and socially connected communities, and believing in their ability to take decisions that improve their own lives and those of their neighbours.

In Wigan, where I used to be chief executive, we tested out this approach eight years ago, by creating a new social contract between citizen and state. Rather than initiating yet another silo project, we tied together existing projects and programmes into an overarching, simple and compelling partnership with residents – the Wigan Deal.

In 2011, we faced the prospect of £160m being stripped from the council's budget: according to the Institute for Fiscal Studies, the third worst cuts of any UK council. We knew that the status quo wasn't an option. But rather than simply cut frontline services and put up council tax every year, we decided to freeze it for seven years – our side of the Deal.

Council tax is a big proportion of people's monthly income, and freezing it in return for residents doing more recycling, taking better care of their own health and the local environment, and looking out for their neighbours resonated with them. Satisfaction with the council shot up by 59%, despite the fact that we had lost over half of our resources.

An asset-based approach lay at the heart of the Deal and we used a renowned anthropologist to help us design the framework. Put simply, it was based on the same overarching "mindset" principles as the government's Troubled Families Programme. It helped us join the dots around people and place, and cut through the complex proliferation of initiatives and departmental solutions, whether originating from councils or Whitehall departments.

This new approach involved working human to human – not state official to failed "unit of need". We decided we needed a different conversation, one that meant us asking, what are you good at? What does a good day look like for you – and how can I help make that happen every day? What's going on in your local neighbourhood that you would like to be a part of?

It involved appointing key workers to build strong relationships based on trust, whose job it is to help people navigate the complexity of public services. And integrated place-based teams to share information and target support to those who need it most. Their role is not to judge, but to see the best in people, no matter what.

## People not processes

We decided to stop spending all our staff time and money on processing people; passing them around a system where we keep assessing them, and then referring them on to another agency to deal with only part of their problems.

The social activist Hilary Cottam, in her analysis of public policy, *Radical Help*, calls for a reinvention of the welfare state. She provides practical examples of the waste that we all have in our systems. The duplication and pointless bureaucracy. The lack of timeliness. The confusion. The absence of a person-centred approach.

We need to trust public servants to work with people, not just to do things to them. Local leaders need to make it all right to test new approaches in integrated place-based teams, and invest more in local community grassroots organisations. This, and not cutting community and voluntary groups, is what will really help people and reduce public demand for expensive, ineffective and clunky state solutions.

We also need to listen really hard to families and communities, and trust that they will make the right decisions about their own lives with the right support. And be courageous enough to stop doing – and shut down if necessary – the things that don't work, and strip away pointless layers of management.

This in turn frees up frontline teams to self-organise, for example, along the lines of the Dutch-based *Buurtzorg* model of neighbourhood care: a system that is gaining traction globally as a way of helping people live independently with much less formal support.

Commissioning alongside communities or, even better, passing the role over to them, is increasingly recognised as the way to go.

The New Local Government Network (NLGN) has produced some practical material on community commissioning, which recommends investing early on in building grassroots community support infrastructure, social connections and relationships with families. *From Tiny Acorns*, published by NLGN in September 2019, shows how applying this model to children's services is a lot less expensive and more effective than taking children into care.

An estimated 80% of our collective public sector resources are spent on processing people: assessing their needs, evaluating how much of a fix they should get through various differential thresholds for social care, and finally referring them on to somebody else who can help. With input from Cottam, we turned that on its head and instead spent 80% of our precious staff time on working intensively to help support families be the best they could – and just 20% of our time on the necessary underpinning processes.

A striking example of how this can work involved a woman and her children on a council estate in Wigan. They had been passed around repeatedly by the criminal justice system, with over 20 interventions in five years. She was spinning on the centrifugal spot of a fragmented system. Her life and that of her three children was going backwards, while she was “costing us” £250,000 per year in multi-agency staff to pay for her and her family to spiral downwards. By having a different conversation and finding ways to build on her and her family's assets and capabilities, the council has helped turn her life around. She now has a job, her children are back at school and out of care, and the mental health of the family is getting stronger by the day.

This approach has been spread out across Greater Manchester and is now embodied in the work of 10 councils. Their shared approach to troubled families work has been ►

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‘We need to trust public servants to work with people, not just to do things to them’

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encapsulated in mayor of Greater Manchester Andy Burnham's public service reform white paper – a localised manifesto with the Troubled Families mindset at its heart. Its philosophy is that everyone is valued, everyone is special, everyone is unique.

An asset-based mindset is increasingly “on trend” in certain circles. But the key thing for public service leaders, both political and managerial, is how to systematise this approach. It's not just another initiative, another project, pilot or pathfinder, with its own dedicated monitoring and project team, and Prince Two evaluation regime. It has to be simply the way we work; something embedded in our DNA.

### **A different relationship**

As chair of the NLGN, I've been helping to broadcast the think-tank's exciting new community paradigm concept. A recent report on the issue set out the need for a radically different relationship with communities, one that rejects the hierarchical and transactional mindsets of traditional public service models. These are no longer sufficient to meet the tidal wave of demand from residents, particularly in the context of a declining resource base.

The community paradigm approach fosters collaboration between the public servant and the citizen, sharing power and resources more directly with people, to embed prevention and ensure future sustainability. It builds on the philosophy of asset-based working and takes it to the heart of all public policymaking for the future.

Shifting power and resources away from separately governed institutions, such as the NHS, local government and the police, and towards communities is an exciting legacy of the Troubled Families programme. It is a way to address the fundamental issue of unequal power relationships and discourage “learned helplessness”.

But we need to transform this from a mindset adopted by just a few organisations into one that all public services operate as a default setting. We need many more examples such as Bolton NHS foundation trust, which aims to be the first community paradigm health trust in the UK, working with police, council and voluntary partners in Bolton to empower the community.

Our staff became public servants because they genuinely wanted to help people and improve communities, not just fill out forms and get through inspections. So let's embrace the community paradigm, cooperative councils and a million and one other separate deals and initiatives, and systematise them into something that we do every day. Because it works. ●

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**‘It has to be simply the way we work; something embedded in our DNA’**

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# Vehicles for change


 ESSAY


BY PAUL MARTIN

Councils can be powerful promoters of local economic development and social mobility. Here's how



**Paul Martin** is chief executive at the London boroughs of Wandsworth and Richmond upon Thames

THERE ARE A NUMBER of compelling arguments why government policy should be reframed to give greater support to local authorities to carry out their wide range of essential statutory services.

First, local government is more efficient and achieves greater value for money than any alternative method of service delivery. Second, is its proven track record for experimentation and innovation. Third, is the capacity for councils up and down the country to act as an engine for change and encourage social mobility.

The joint report published by the Sutton Trust and the Social Mobility Commission, *Elitist Britain 2019*, draws attention to the over-representation of privately educated individuals in prominent positions in British society, including 59% of civil service permanent secretaries. The report concluded that this general picture can be seen throughout the upper echelons of the state.

However, there is one exception.

The report found that “only 9% of local council chief executives attended an independent school, broadly equivalent to the percentage who have done so in the country’s population overall and one of the lowest rates in this report”.

This will come as no surprise to those of us who have spent our working lives in local government. Councils are places where individuals who have varying levels of academic achievement work together at all levels of seniority. In my 37 years in local government, working for eight local authorities in the East Midlands, East Anglia, Greater Manchester and London, I have never once known a decision about a staff appointment to be made on the basis of attendance or educational attainment at the “right” school, college or university.

This is not as a consequence of conscious policymaking on the part of councils, or the adoption of targets or quotas. The identification of local government as the least elite component of our public sector apparatus is all the more remarkable because it is not an outcome that derives from an adopted strategy or direction.

It is more powerful than this. Meritocracy in local government is deeply cultural and embedded, and is a function of the basic characteristics of municipalities. They are practical entities that prize competency in implementation above all other things.

When it comes to staff appointments, including at the most senior levels, the capacity to get things done will nearly always take precedence over other factors, and certainly over paper qualifications and the social backgrounds that they typically reflect. (This is similarly true in the political process. The last prime minister not to have a university degree was John Major, who left school at 16 with three O-levels. It is no coincidence that his first taste of public life was as a Lambeth councillor and chair of the housing committee.)

## Risks and brakes

This special and unique quality of local government is of particular interest to the UK as we prepare for the challenges ahead. Policymakers need to think deeply about how to address three long-term systemic risks and brakes on our success.

First is social mobility and the extent to which an individual’s life chances are

determined by their social background. This injustice is manifested in many particular forms, notably in terms of the lack of opportunity for people from BAME communities.

Second is our country's economic productivity, which, while never distinguished, has deteriorated in recent years at an alarming rate. This is mainly because of the performance of local and regional economies outside London and the South East – a root cause of the lack of affordable housing, especially in the capital.

And third is the climate change emergency, at last recognised as requiring a transformation in our approach to the design and implementation of policy.

From the perspective of national government, steep reductions in grants to local authorities since 2010 have proven to be an expedient means of reducing public spending. From the perspective of local government, they have inevitably become a preoccupation, if not obsession, of councillors. However, austerity notwithstanding, it is becoming clear a decade on that, to address these three challenges, a different approach is needed. Not just in terms of policy direction, but in language and tone too. The reframing of policy that we seek must be based on a sound analysis of the challenges that we face as a country, and a realistic assessment of the contribution councils can make to tackling them.

Councils are generally practical and durable entities that can expand rapidly to deliver national government programmes – for example, during the period from 1997 onwards – and can deflate rapidly to address the requirements of austerity, as in the period from 2010. (Even though, at its most bleak, our apparently powerless relationship to central government has come to resemble, in Gloucester's words in *King Lear*: "As flies to wanton boys are we to the gods; they kill us for their sport.")

Following a national conversation of nearly four years, which has focused on what for most people are abstruse and obscure arguments about Brexit (Northern Ireland backstop, anyone?), a huge pent-up demand exists to address goals that are actually relevant to people's lives.

How can the fortunes of our areas be improved to achieve an attractive quality of life, and fulfil people's aspirations? How can we generate local wealth to fund excellent public services? And how does local government develop the means to do these things?

Although Office for National Statistics figures show that the number of people employed in the public sector as a whole is similar to the 1970s and 1980s, the number working in local government has fallen dramatically. The vast majority of job losses in the public sector since 2009 have been in local government. Council employee numbers have fallen by 406,000 over the past five years, while the civil service has increased by a similar figure and is at its highest level since records began in 1999.

While we have debated localism, the trend – relentlessly and consistently – has been in the opposite direction. Follow the money, and follow the headcount. We have been talking an ambitious talk of localism and walking the dreary walk of nationalisation.

Sir Michael Lyons' 2004 review proposing the localisation of 20,000 Whitehall jobs remains an inspiration – as does his 2004/2007 review of the form, function and funding of local government. In the 15 years since, we have discovered the full extent of disenchantment with remote decision-making, together with changes most evident in

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'Meritocracy in local government is deeply cultural and embedded, and is a function of the basic characteristics of municipalities'

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the retail sector that have led to deteriorating town centres and diminishing prospects for high-quality jobs and opportunities.

We have also discovered the full extent of the climate emergency, which has provided the impetus to reorientate policy to provide local opportunities for work and leisure that are not dependent upon long-distance commuting.

### **Grounded in reality**

Councils are the most plausible institutions to advance optimistic, aspirational policies – especially as our daily work grounds us in the practical realities of local services and communities. Councils can provide the political, high-profile articulation of this goal and correlate it locally to specific circumstances and realities. Many already run highly successful, in-house employment programmes – for example, Wandsworth’s Work Match service that links jobseekers to local employers – and are able to extend this vision into the daily work of the council. We work closely with schools and colleges, employers, housebuilders and economic partnerships to this end.

It is also instructive to study the most recent reforms of the NHS, which reframe the health service away from a preoccupation with individual institutions towards an examination of the health and social care system as a whole. These aim to strengthen the governance of the wider system and ensure that individual institutions are actors that play their part within this framework. This is not so far from the “place-based” thinking that developed in the years after Sir Michael Lyons’ reviews.

We need to do three things.

First, we must make the case for social mobility and tackling regional economic imbalance being at the centre of the government’s programme. We need to show how opportunities to learn, develop and excel within a locality can support climate change strategies by reducing the need for long-distance commuting, especially to London.

Second, we must show that municipal government is an attractive and compelling apparatus through which to deliver these ambitions – in areas such as economic development, skills, schools and further education.

And third we need to act upon the ambition of the first chief executive of the Local Government Association, Sir Brian Briscoe, who described his new organisation as being “the place where future local government legislation is written”.

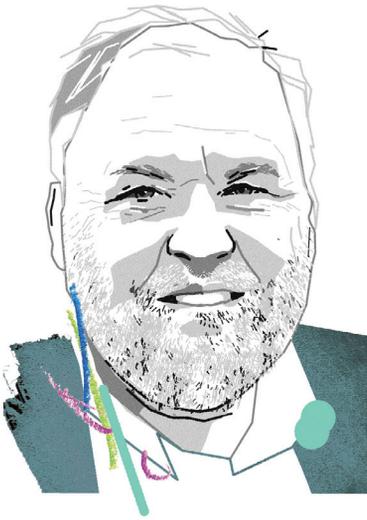
That’s now a task for us all. ●

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‘A huge pent-up demand exists to address goals that are actually relevant to people’s lives’

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# Joining the dots


 ESSAY


BY JOE SIMPSON

To push the politics of place up the government's agenda, finance leaders need to work across the wider public sector. And get the messaging right



**Joe Simpson** is director of the Leadership Centre and principal strategic adviser to the Local Government Association

TEN YEARS AGO saw the launch of the Total Place programme. It was a “whole area” approach to delivering better public services at less cost. It tried to make a step change in service improvement and efficiency at the local level, as well as across Whitehall.

It was not perfect – I should know, we at the Leadership Centre were its instigators. It originated in more expansionary times and was caught in the crossfire of austerity. At its heart was the premise that money earmarked for a community or area needs to be spent in a way that maximises the outcome for the people who live and work there. To put it in financial jargon, Total Place put as much emphasis on allocative efficiencies as on technical efficiencies.

Total Place left an impact, not least through the Greater Manchester devolution deals: even at the height of the austerity programme, public expenditure in Greater Manchester did not go down – total expenditure remained the same, but the pattern of spend changed. The programme was about balancing the books through a demand-reduction approach to finance – an economic argument that resonated with government and resulted in GM getting more power.

Today, we need to refocus and think more systemically. Place needs to become our basic building block. The Local Government Association has always stepped back from discussions about place allocation because different member authorities have different interests. As a consequence, the LGA articulates the need for more funding for specific services. But in that beauty parade of needy causes, it's the nextdoor neighbour (typically, health) who always wins.

We need to be bolder. Of course, different places will argue they are badly treated. Living in Hackney, I can give you a passionate and robust argument about the particular needs of diverse poor urban communities. If I lived in Cornwall, no doubt I would be equally passionate about the needs of low-density, dispersed rural communities. One thing I do know, however, is that, to be effective, the configuration of services needed is different in Hackney than it is in Helston.

What we need are medium-term financial strategies for places. We know that health services account for only 20% of health outcomes, but, despite this, demands on A&E are increasing. The fistfight between local government and health about social care is a distraction. The long-term challenge is that life expectancy has been growing much faster than healthy life expectancy. Moving to a more systemic approach allows us to think about how we get those two lines to track one another.

If local government is going to move into this place, there needs to be honesty when authorities find themselves in financial peril. To position itself as an honest broker in discussions around place, local government cannot afford another Northamptonshire. But equally we cannot wait for permission to act. Given the Brexit bottleneck in parliament, anyone expecting decisive government action may have to wait a while. One of our slogans in the Total Place era was “proceed until apprehended”. So let's get going.

### Window of opportunity

CIPFA is well placed to help us do this. Its membership straddles both health and local government. Health is not the sole area that needs to be addressed – the next iteration of the Work Programme is pretty important too – but health spend is so significant that place budgets are meaningless without them.

And we have this window of opportunity. As sustainability and transformation partnerships and integrated personal commissioning are implemented, place is now, at least, in the health lexicon. Local government purists might say the commitment is shallow, but if you miss one configuration of the stars, you can wait a long time for the next.

There are two things standing in the way of pushing place up the agenda. One is the lack of coordination between the people leading the finance function in local government and the rest of the sector. The other is the debate – or lack of it – coming out of local government.

In any discussion between senior local government figures, the conversation will inevitably turn to finances. The fortunate ones will say next year's budget position is OK; the less fortunate will detail exactly how many millions of savings they have yet to identify. The chancellor's July announcement may have afforded some breathing space, but no one is under any illusions about the challenges ahead. Of course, local government needs more money, but I want to reflect on a curious fact.

Public sector leaders and chief executives are now meeting up more regularly than ever. If you were the lead member for adult or children's services, for example, you could attend a different conference every day (culminating in the national children and adults conference), each describing how services could or should be improved. There is, however, one group that stays at home – the lead members for finance. It's not just that they don't meet each other; they don't meet other finance and resource directors either. And, as those of us who have been to the (excellent) CIPFA annual conferences know, these are pretty much member-free occasions.

We urgently need to correct this. Of course, the sheer pressure on budgets has forced local authorities to focus internally on making cuts, often in-year, and concentrating purely on the short term. Now, more than ever, we need to have a dialogue about medium-term financial strategies, one that involves members and officers from all disciplines learning from each other. A constant feature of an authority that has hit the buffers in some service areas is that it has become so inwardly focused that senior figures don't circulate. This paucity of discussion on financial strategy makes it harder to notice who is missing. My challenge to CIPFA is to extend out to elected members and find ways to evolve forums for this dialogue.

This brings me to the issue of the messaging coming out of local government in response to the financial challenge. The political consultant Frank Luntz – a key figure in US Republican strategy in the 1990s, and who led focus groups in the 2010 UK general election – has plenty to say about this. Luntz's central message is this: it's not what you say, it's what people hear that matters. ►

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‘There needs to be honesty when authorities find themselves in financial peril’

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Of course, if you read the local government responses to government, they are detailed, nuanced and robust. But if we stand back and ask what was heard, two messages above all stood out.

### **Crying wolf**

First, we were seen to have embraced the Oliver Twist method of negotiation: “Please sir, can I have some more?” The trouble with that was that our nextdoor neighbour, the NHS, looked even more deserving than we did, and if any more goodies were to be handed out, they always got them. The cumulative effect of a decade of this is dramatic. Go back to 2008, and local government and health were in the same spending league. Look forward to 2022, and health is predicted to account for 38% of all public expenditure.

Second, local government was perceived to be continually crying wolf. Disaster was always just around the corner. The irony of course is that disaster was avoided only because of the ingenuity of local government. The efficiencies that local government have delivered are phenomenal. If the rest of the public sector had achieved even half of what local government has done, there would be a significant amount of money available for new public services.

However, these achievements have been drowned out by negative messaging. For the politics of place to get a serious hearing, we need to try a different, more positive and forward-looking tack. One that pushes the advantages of integration and collaboration, and a place-based agenda.

Some say local government should shout louder – a bit like the classic “Brit abroad” strategy for dealing with locals who cannot understand what we are saying.

Fortunately, local government does not need to learn a new language. What it does need is a new message. ●

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‘It’s not what you say,  
it’s what people hear  
that matters’

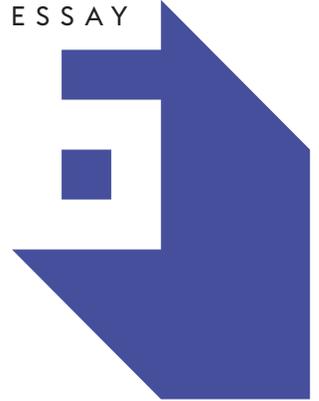
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COUNCILS  
UNDER  
SCRUTINY

# What failure looks like

ESSAY



BY TONY McARDLE

Northamptonshire Council's financial collapse wasn't inevitable. It ran out of money because it failed at the fundamentals

FOR ALMOST A DECADE now, the trade press and, on occasion, the national media, have carried earnest and learned commentaries from many an expert, gloomily pronouncing on the sector's impecunious arrival at the edge of the cliff – predicting the impending collapse of perhaps 50 local authorities in the foreseeable future.

We have spent a long time on that cliff edge. So far, only one authority has gone over – Northamptonshire. It did so kicking and screaming, protesting at the unfairness of the system and lamenting the fact that, although it had done everything right, it had been cruelly abandoned.

Eighteen months on and government intervention has been seen as successfully initiating a process of repair, Northamptonshire exposed as having, in fact, done very little right, and rather than being cruelly abandoned, given every chance – which it obstinately refused to take.

Indeed, the council proved to be not the victim of some ghastly set of circumstances inflicted upon it, but rather the first local authority in the land to bring itself down through a series of catastrophic failings of its own.

Even at the end it didn't recognise the reality of the circumstances it had created for itself: insolvency; diminished, often dangerous services; the distrust of partner agencies; the despair of the local voluntary sector; the sense among staff that their professionalism, dedication and effort was being traduced and betrayed; the total opposition of the county's MPs and district councils; and the ridicule of the local press.

Every council in the land falls out with some of these interests, some of the time. Here, however, was total desertion.

For a council that had once charmed the sector with its visionary aspirations, the end, when it came, had aspects of the hallucinatory.

The council quite genuinely believed that it had balanced its books and begun a new year with £8m to spare. It did think that the year ahead might conceivably prove tricky, but had, in reality, failed to work out that it was already over £40m in the red and was engaged in running up a further £30m that it couldn't cover. It didn't make a conscious choice to operate while insolvent, it was just that its operating methods had become so chaotic that it simply didn't know that it was doing so. Northamptonshire didn't fail because it ran out of money. It ran out of money because it failed.

It all started with a problem that quite a few will recognise. In 2013, an "inadequate" Ofsted judgment concerning Northamptonshire's children services generated a surge in activity to rectify the situation. However, instead of taking a focused approach, a series of very expensive, drawn-out and frequently odd decisions saw the council's reserves drained and the funds and operational base of many of its other services sacrificed, all to no avail. All of this was played out in public, marked by inspection reports, audit letters and media investigations.

The council had a story to tell in the face of these difficulties. It essentially focused on how badly off the council fared from the national funding formula; how much it had tried to keep council tax down in line with the government's wishes; how little it



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**Tony McArdle** is the lead commissioner at Northamptonshire County Council

received in order to handle the growth and scale of demographic change which the county saw; how visionary it had been in setting out a brave new model of operation; how bold it was to create a state-of-the-art operating base from which to deliver quality services; and how much time it needed to prove itself.

These arguments had an element of truth about them. Northamptonshire did fare badly under the funding formula – although others fared worse. It had a low council tax – although others had lower. And it was trying new, bold approaches – although so were others, with better risk management. The fact remains, however, that while the council was promoting and pursuing these brave new world policies, reserves were running down, services were shrinking, staff were leaving, performance was declining and time was running out.

### Checks and balances

At some point during the five years leading up to the council's collapse, the checks and balances that leaders and managers across local government use all the time would have been expected to kick in. The inspection and audit reports, the scrutiny from the media and political opponents – even political friends – should have at least moderated the approaches taken by the council. The mechanisms, formal and informal, in which members and officers engage with, support and challenge one another should have brought a degree of reflection, and a much-needed reality check.

Instead, the collective response was to circle the wagons and defend the cause. It must have been really difficult for anyone to be on the wrong side of that cause. No one wants to be the one to tell the emperor that he has no clothes.

Many things could have happened, and should have happened, to prevent this collapse, wholly preventable as it was, but they did not. None are exotic or unusual. In his report that precipitated the intervention, government inspector Max Caller lamented the fact that the council had lost the ability to “do the boring well”. Leaders and managers need to:

- Hold people to account for the things they commit to doing. Savings targets were high on that list. If a service consistently falls well short in this area, do something to remedy the situation from the outset. In each of the three financial years prior to intervention, Northamptonshire failed to hit even half the savings targets it set itself. Unless an underlying inability to robustly set and deliver budgets is tackled, a council is doomed. It is only a matter of time.
- Invite challenge. It is healthy, it improves decision-making and builds inclusive ownership of difficult decisions. If you perceive it as a threat, ask yourself why. In Northamptonshire, challenge was not welcome.
- Be careful not to instigate projects or programmes to achieve transformation or improvement and then assume you have discharged your responsibility. These things are difficult and will wander off point if they are not closely monitored and ►

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‘The council proved to be not the victim of some ghastly set of circumstances inflicted upon it’

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managed. They don't come free or cheap either. Be prepared to make the investment, but only on the basis that you are convinced you will achieve the return. Business plans need to be real and deliverable, not written simply to satisfy a perceived need to do so.

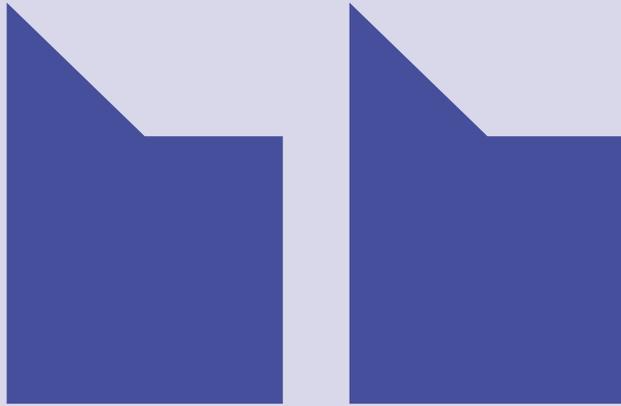
- Prioritise. If your crisis is in one area, don't allow whizzy and exciting things elsewhere to become the focus of attention. Don't fall for the seductive distraction of something interesting that may save the pennies in favour of something boring that will save millions. The Next Generation model that saw Northamptonshire float off all its services into a range of different operating vehicles, while retaining a minimum core client staff, had to be unwound, as it quickly became part of the problem while offering no real part of its solution.
- Recognise that the crisis heads the agenda until it is resolved. Senior managers must support members to keep their attention fixed on the things that are not always interesting... and members must be able to hold senior managers to account for progress.
- Not let the fundamentals fade away. Your corporate plan, medium-term financial plan, capital programme, transformation plan, workforce strategy - whatever you call these things - is your cornerstone. Once it's allowed to crumble, you have lost the fundamentals upon which to build.

There should not be another Northamptonshire. The fact that it happened shamed the sector. But the real losers are the residents of the county who, for years to come, will pay for the resolution of problems that need not have arisen and the recovery of opportunities that need not have been lost. For the wider world of local government, the best that can happen is that the lessons are learned. ●

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‘The collective response was to circle the wagons and defend the cause’

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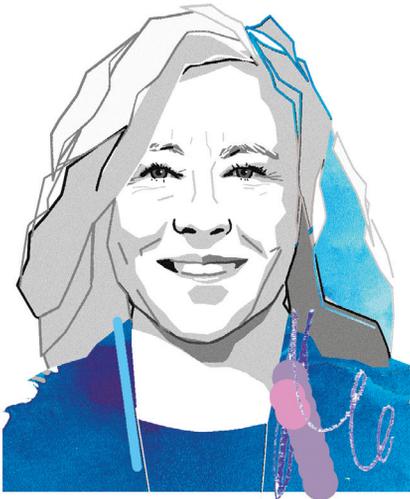
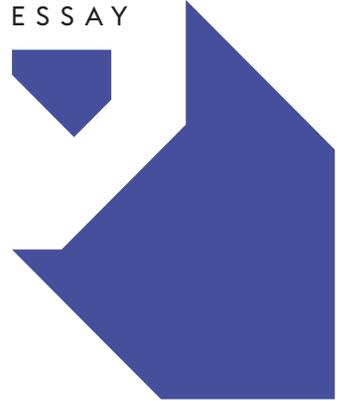
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Many things could have happened, and should have happened, to prevent this collapse, wholly preventable as it was

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# Doing data differently

ESSAY



BY JOANNA KILLIAN

Local authorities must raise their information game, to improve insight and better read the future for the benefit of local residents

THE PROBLEM FACING too many public sector organisations is not that they don't have enough information. It's that the information they have often turns out to be thoroughly useless.

This may be slightly harsh, but it illustrates the point that raising an organisation's information game is about more than quantity and a one-size-fits-all approach. It's about ensuring quality and specificity – a much harder task.

Surrey County Council is, of course, no different in this respect. Earlier this year, we asked our insight and intelligence community about what they saw as the biggest barrier to the effective use of data. A lack of data was relatively low on the list, at just 6% of respondents, with the biggest obstacles surrounding the quality of data. Nearly a third of those surveyed cited the difficulty in matching information across information silos, and 19% bemoaned the generally poor quality of data.

To take these findings a step further, we asked what was the biggest barrier to turning insight into tangible action. The answers included a lack of leadership (24%), insufficient trust in the data (14%), or not having the skills to interpret and apply findings (14%). But for 33%, the biggest barrier put forward was a reluctance to change processes or practices.

Worthwhile information-gathering and analysis is not necessarily then about increasing data in itself. It is about taking a structural approach and acknowledging that big changes are needed, that a number of old processes need to be consigned to history – and that innovation is paramount.

Councils are generally using data and information to better understand the communities they work with, and develop predictive models that allow for improved support. This means completely transforming the council's approach and culture, and to put residents' needs first.

At Surrey County Council, there are a number of big, and not so big, steps being taken to pursue a preventative, demand management, participatory agenda. These are designed to enhance our understanding of the people that live and work in the county, and put them at the heart of all decision-making.

With the right information, therefore, we can make intelligent decisions about the design of services and the best use of resources. We can move into a position where we use data, technology and analytics to help us plan, predict and prevent in collaboration with partners.

## People focus

It is only by taking such an approach that we can ensure we continue to focus on outcomes for residents that reflect their changing needs, hopes and expectations.

Data projects should be, at their very core, people-focused. They need to be framed around, for instance, helping frontline staff in their work, providing intelligence and analysis to senior management, or shaping the services that residents rely upon. So it is crucial that these people are involved in the development of these projects.

A tactic that has given us considerable success so far has been the use of "hackathons",



Joanna Killian is chief executive of Surrey County Council

where analysts and decision-makers from across a service ecosystem work together to co-produce new data visualisations. This includes an opportunity to test out risk factors and identify indicators that support the building of a preventative model.

Surrey Heartlands Integrated Care Partnership, in which local health organisations and the council work together with residents and patients to improve services, utilised this approach to involve multiple partners from the integrated care system (ICS).

Funded by the Health Foundation's Advancing Applied Analytics programme, the team ran three hackathons, which were able to identify intelligence to answer specific questions, create a clear data product and produce a defined action. Key to their success was the time spent with decision-makers, refining the questions to be answered and making sure the answers could inform ways of doing things differently.

This joint approach also meant that decision-makers were able to offer reasons for data variations, allowing for more detailed insight, while multiple perspectives from across the organisations added value to the work being produced. These interactions helped us tailor visualisations in ways that ensured that the data was useful to make decisions.

The hackathons have proven useful at facilitating the development of a network of analysts across organisations. Such opportunities will continue to aid this network, as will a shared style of working that is increasingly becoming business as usual, rather than being treated as a one-off special case.

Building on this success, the knowledge management strategy for Surrey Heartlands ICS has involved establishing a Surrey Office of Data Analytics (SODA), a virtual system-wide intelligence network that delivers joint intelligence and gathers the evidence needed to transform how care is delivered.

This use of data means Surrey Heartlands has been better able to predict demand and plan accordingly. The outcomes include: a significant reduction in delayed transfers of care from hospital; a preventative project for identifying atrial fibrillation and reducing the risk of atrial fibrillation-related strokes; and a reduction in GP referrals to outpatients across one clinical commissioning group, with the introduction of an "advice and guidance" telephone service for GPs.

Silos are one of the clearest signs of an inefficient and ineffective organisation. It leads to duplication and territorialism across teams, means that vital information is not shared and reduces dramatically the prospect of successful joined-up outcomes for residents. A similar problem exists when considering whole organisations working in isolation rather than collaborating with like-minded partners.

In some ways, as with many other local authorities, we are very much in the early stages of our silo-breaking work. Take, for instance, our moves, along with partners, towards using predictive analytics to further tackle domestic abuse. We had already identified it as a sizable, often unreported local issue, with a significant rate of repeat victimisation and high risk of serious harm. The information we had was reactive, looking at the current situation and not providing sufficient detailed insight. ►

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'The biggest barrier put forward was a reluctance to change processes or practices'

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**Active approach**

We have started to move from this “what happened?” approach to one that asks: “Why is this happening, and what will happen next?” This more active approach is designed to provide insight, influencing early intervention and guiding positive action. By understanding how domestic abuse develops and escalates, we can begin to understand more about who may be at risk, helping us predict and prevent incidents of domestic abuse before they happen.

It is, to use one example, possible to identify common characteristics among victims of abuse, such as social isolation, substance misuse, or age, and then run the model against available datasets to identify potential victims who share the same characteristics and risk factors. This allows us to design early intervention services around these insights. Crucially, this approach requires robust governance structures that protects personal information.

We are in the process of setting up extended hackathons, similar to those run through Surrey Heartlands, but with the ability to delve deeper, to expand on this knowledge base and develop specific early intervention, demand management strategies.

Before the Surrey Heartlands project started, 80% of analysts had not collaborated with those from other organisations within the Surrey Heartlands ICS. However, following the third hackathon, 93% of analysts said they felt either very or fairly well connected to colleagues from organisations outside their own. We can hope for a similar level of silo-breaking through our work on tackling domestic abuse.

An often mooted panacea of information-gathering involves establishing a “golden record”, which provides a single joined-up view of a resident, by matching records and data across silos. However, the truth is that many public sector organisations are not in a position to create these in the here and now. There is a need to start small, build the foundations, and then scale up.

Successful adoption of single-view records is about having a clear roadmap for how you are going to build the data governance, establish matching processes, ensure data legislation compliance and so on. It is often too tempting to shoot ahead to the end, leading to a situation where the starting point is to create a golden record while simultaneously establishing all these additional processes and rules. Right from the outset this becomes unwieldy and there is little scope for active learning and continual improvement.

So we have more often started small with simple technical implementation and data preparation, before outlining how we get from that to where we ultimately want to be – a single view of a resident. The stages in between are set out to provide intrinsic value and practical use in themselves – for example, through a single view for helping children with special educational needs and disabilities to transition into adult social care. However, they also allow for learning and building on the data gathered at that particular stage until we are in a position to establish a far more complex and all-encompassing golden record.

This approach allows information to be gathered in such a way that enables us to use more sophisticated analytical techniques, supports semantic consistency, and allows for

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‘The hackathons have proven useful at facilitating the development of a network of analysts across organisations’

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more opportunities for data exploration through increased data maturity and literacy. This is not to say we are all of a sudden experts in all things information-based, although I hope much of our thinking and learning will filter through to the wider sector.

Indeed, many organisational silos and barriers to a potent information game are deeply entrenched and will take time to break down. That is why it is impossible to overestimate the value of bringing people, communities and organisations together to solve problems in a spirit of true collaboration and partnership.

It is vital to remember how much we can continue to learn from across the sector, as well as beyond it. We want to ensure that we exist in an environment of continual learning and improvement. If we believed we had reached an endpoint, it would mean we were no longer looking to innovate, understand our residents and communities better, or dig deeper into whether the information we had was actually of any use to us.

Which takes us back to our starting point. The information game is one we must continually rise to and refresh, to ensure the best possible outcomes for the communities we serve. ●

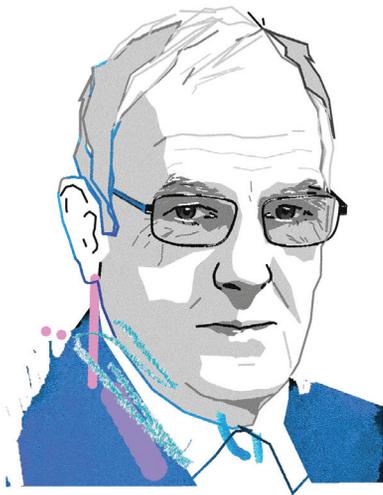
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**‘Silos are one of the clearest signs of an inefficient and ineffective organisation’**

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# Audit expectations

ESSAY



BY JOHN SINNOTT

Did we throw out the scrutiny baby with the Audit Commission bathwater? Events suggest the need for a rethink



*John Sinnott is the chief executive of Leicestershire County Council*

THE BEST VALUE inspection of Northamptonshire County Council by Max Caller, in March 2018, is a painful read for anyone who cares about local government's reputation and its integrity.

Of course, it should never have come to that. The observation by the then chair of the Local Government Association (LGA) to the Public Accounts Committee – to the effect that the looming problems of Northamptonshire were an open secret – was correct, and only adds to the sense of local government's failure. But moving from the political to the professional, there are and were similar questions for the auditors to answer about what they did or did not do with the knowledge they had.

The Caller report states that the external auditors were told that a section 114 notice, the local government equivalent to bankruptcy, could have been issued in October 2015 – nearly two and a half years before it happened – and had issued an advisory note on a potentially unlawful budget. What role the external auditors played in the intervening period in actually challenging Northamptonshire members and officers is unknown. As for internal audit, the report found it had been inadequately resourced.

So, what should be our expectations of auditors? I have always had a straightforward set of asks for external auditors. These include: a firm with an experienced partner dedicated to my council's audit, and with a team that avoids moving between too many different audits; people with a developed understanding of the complexities of partnership working; a relationship built on fair and reasonable challenge, and an ongoing conversation about the authority's financial health; a partner and lead auditor happy to engage openly with elected members; and auditors who are prepared to focus on work relevant to the authority, rather than lesser work that may suit them on a day-to-day basis – and who are able to work effectively with internal audit.

When I compare that list with the requirements of the National Audit Office 2015 Code of Practice, currently being revised for March 2020, there is some fit in respect to the auditor's work on value for money. But, overall, the code's version reads like a list of routine tasks and does not guarantee a robust examination of an organisation's financial health. (While contract price cannot be ignored, it is not the most important consideration for me or the section 151 officer.)

In relation to internal audit, my asks of the function and its personnel match those set out in CIPFA's 2019 statement. The statement highlights, among other priorities, risk management, the promotion of best practice in governance, up-to-date awareness of organisational challenges (which can be challenging in itself), and the key relationship with the external auditor. Management and member awareness of the role of internal audit needs to be regularly tested.

When the district audit service used to provide the majority of external audit to local government, I experienced only one disappointment with an auditor (who turned out to be not a qualified auditor but a best value inspector). That was not enough for me to join in the rejoicing when the Audit Commission was abolished. I was – and still firmly am – in the "baby thrown out with the bathwater" school of opinion as to how the abolition was promoted and implemented, and the consequences that followed.

While the government seemed to believe it was principally engaged in a money-saving exercise, the LGA was too keen on wrapping the audit function within a new accountability and performance management framework under its ownership. The appointment of auditors moved towards a process where cost could overshadow quality and – despite all the caveats – the independence and extent of the auditor’s role felt constrained.

Today, the wheel has not quite gone full circle. But the government’s announcement in July 2019 of a review, led by Sir Tony Redmond, to examine the purpose, scope and quality of statutory audits, and the supporting regulatory framework, does suggest a change of approach, reflecting concerns at the centre about current arrangements. Perhaps the review can look into the role of the auditors – mainly external, but also internal – in Northamptonshire, where there surely have to be lessons learnt.

### Indexing resilience

Meanwhile, I was encouraged to read the National Audit Office (NAO) report of January 2019 to the House of Commons. In contrast to assurances from some quarters that another Northamptonshire is not around the corner – and opposition from the LGA and local authority chief executives (more so than from section 151 officers) to CIPFA’s resilience index proposals – the NAO report paints the real background to the risks local authorities face.

It flags concerns about their financial sustainability and resilience, and their fitness for purpose in that context. The origins of the report mean that the Ministry of Housing, Communities & Local Government (MHCLG) will have to respond to the select committee later this year.

It is useful to identify the different strands of audit review that are now in play, and the reasons why the effectiveness of the outputs and outcomes of audit are being questioned (principally, it should be noted, in relation to external audit). Some of the key issues include:

- How might the government-commissioned Kingman, Brydon, and Competition and Markets Authority reviews into the audit sector impact on local authority and public services audit? It could be a long wait, including for legislation, to find out whether changes in practice can transfer from the private to the public sector. But the matter of who is the auditor’s ultimate client in either sector deserves to be settled sooner rather than later. The Redmond Review is also relevant here.
- Local government is well-placed to appreciate the concerns about the audit regime that have emerged with the abolition of the Audit Commission and the 2014 legislation. Take two examples: only about 60% of local authority accounts for 2018-19 were signed off on time, a significant reduction on 2017-18. That is a situation that cannot be left as it is, whether it is attributable to fee reduction or the complexity of the audits, or a combination of the two. Second, there is no one holding the ring in the manner of the Audit Commission, hence the internal disagreements in the local government sector and between some individual councils about the true state of the finances of at least a dozen or so councils.
- There are plenty of reasons here for local government to recognise the need for ►

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‘The appointment of auditors moved towards a process where cost could overshadow quality’

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‘Only about 60% of local authority accounts for 2018-19 were signed off on time’

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change, or else have change done to it. Local government will not be true to itself if, as too often before, it enters into a defensive mode and presents a critical or fudged response. An important footnote is that the chancellor’s spending announcement in early September, with just a one-year focus, changes nothing. Indeed, it serves to make the point about the importance of longer-term sustainability.

- A positive reaction from local government would be to pull these strands together in response to the NAO’s consultation on a new Code of Audit Practice, which is due to come into effect no later than April 2020 – parliament permitting. Local government really should welcome a new code.
- Such a response could usefully set out local government’s expectations of external audit, not forgetting the relationship with internal audit, and the necessity of client trust and organisational understanding. This could be blended to form a narrative that precedes the technical requirements laid out in the code.

I would also invite the NAO, in finalising its new audit practice code, to consider whether more should be done to define good governance. The draft code defines governance as “how the body ensures that it makes informed decisions and properly manages its risks”. There really is no other reference or criterion included. In contrast, the NAO’s report of January 2019 to MHCLG includes a useful explanation of a “core local governance framework”. It would benefit auditors and, in all probability, some local authorities if this was broken down still further, since a judgment of good governance does not lend itself exclusively to a tick-box approach. Each local authority is naturally different.

### Sustainable organisations

Creating greater clarity over good governance should deliver a more balanced audit regime. An audit must not just ensure that accounts are technically correct, but also provide an independent view of whether the organisation is being run on a sustainable basis, as the new code envisages.

For both external and internal auditors, it is important to have an understanding of the dynamics of decision-making, which a simple listing of the roles of the executive, overview and scrutiny, audit committees and standards regimes cannot explain. For instance, key conversations about financial risk in the short or longer term will take place in private meetings, albeit ahead of public discussion, and audit committees typically will be reactive and not proactive, potentially reducing their impact.

In several councils, now including upper-tier authorities, the cabinet system has returned to replace the executive/scrutiny model, and then there are the mayoral models. All of which emphasises the different factors that have to be taken into account.

While statutory officers have their own responsibility to ensure internal workings are effective, auditors cannot expect to be effective in their separate roles if there is a shortcoming in their knowledge of how the authority works. Perhaps a prompt on how best to acquire this knowledge should be a requirement in the new code. Examples of good practice in the relationship between internal and external audit could also usefully feature as an addendum.

To end where I began, there are dangers in glossing over what happened in Northamptonshire – dangers for the users of local services, for individual authorities and local government representatives, and for government departments and ministers. Honesty within local government, combined with robust audit, will be crucial to avoid any repetition of past mistakes.

When the scope of the role of the external auditor first came to my attention, I was working in Liverpool at a junior level; perhaps unsurprisingly for the time, in the context of surcharge. In that era (prior to 2000) a member or an officer could be surcharged via the district auditor and the courts – or via the secretary of state – for unlawfully spending public funds. It is different now, but you wonder how the previous regime would have treated some recent events.

In a more joined-up world, it would be sensible for a new Code of Audit Practice to be introduced into local government, alongside a government response (now delayed) to the recommendations of the Committee on Standards in Public Life on local government standards.

And given the questioning reference to sanctions in the NAO’s report to MHCLG, I would like to think that this is a point the NAO would itself want to make to government. In so doing, it would provide food for thought for those whose constant refrain is that local government is adequately policed and that self-regulation and self-improvement are always the answer. I am not among them. ●

# talking about tomorrow

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To help support local authorities, CIPFA has launched ‘Talking about tomorrow’ – an initiative aimed at engaging with all key stakeholders involved in local government.

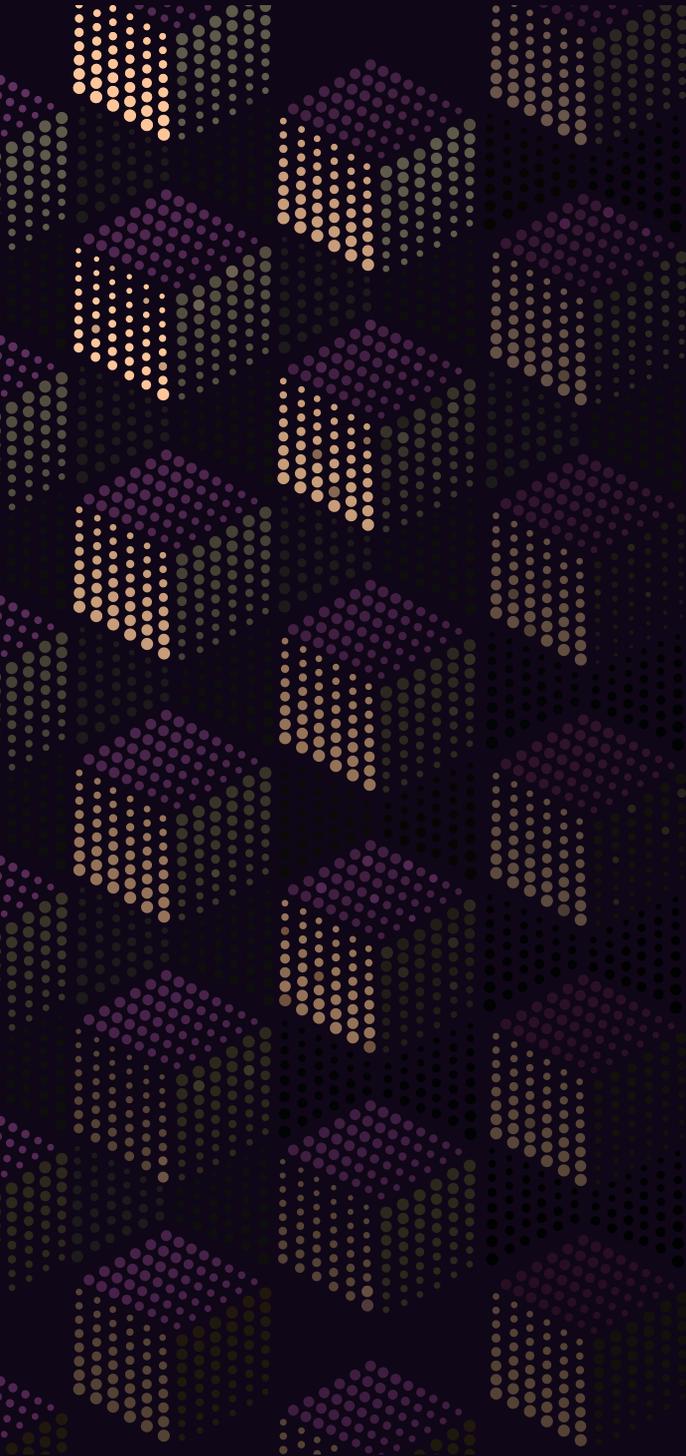
Visit our **Talking About Tomorrow** page and find out how CIPFA can help you strengthen your financial resilience and ensure a robust approach to financial management.

### Find out more

Contact Chris O’Neill via  
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020 7543 5600

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#### Talking about tomorrow

This is the 10th in a series of *PF Perspectives*, produced by CIPFA and *Public Finance*. They are designed to stimulate discussion on key public finance and policy issues. These essays, by leading public sector practitioners and experts, examine people and place in a new age, and the implications for the financial management and delivery of public services

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