Spending fairly, Spending well:

time for a radical overhaul of value for money and public audit

By David Walker and John Tizard

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About the authors

David Walker is a former director at the Audit Commission and contributing editor at Guardian Public. John Tizard is a strategic adviser, a former senior executive at Capita and Labour leader of Bedfordshire County Council.

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Foreword
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There is no 'business as usual' in government today. The world of politics and public management is uncertain and changing at a rapid pace. Major drivers of change, such as new technology and demographics, not to mention Brexit, austerity and social media, are reshaping the relationship between the citizen and the state. A desire to increase the public's trust in government and over how public services are funded, delivered and accounted for is now centre stage in both Whitehall and town halls.

It is against this backdrop that that David Walker and John Tizard are calling for a radical rethink about the way tax payers' money is spent and accounted for. As ministers and Whitehall departments gear up for the proposed 2019 Spending Review, covering the next three to five years, the authors provide a telling critique of failures in public financial management. Their argument for 'spending fairly, spending well' and reforming the public finances is shared by others, not least the Institute for Government (*The 2019 Spending Review*, September 2018). It also has an echo in Parliament, where MPs are becoming increasing frustrated with the shortcomings of the current system.

The Treasury is of course at the heart of the agenda for change. It remains a powerful instrument both for spending control and, if the government wills it, for turning the taps on. But, as I argued in my review, the Treasury must up its game and change its mindset on its public spending role. HMT needs to be more strategic and look end to end, from decisions about tax and programmes through to those everyday encounters the public have with employment and benefit services, schools, clinics, policing and care. As the authors rightly propose, new mechanisms are needed to pre-screen spending and then to follow it through, ensuring it delivers what ministers intended – and does so equitably.

David and John not only set out the case for a more devolved, more accountable and more reliable system, but offer ambitious proposals for unifying the way public services are checked to ensure they are delivering fairness and value for money. They call for new agencies, including an independent Office of the 3Es (efficiency, effectiveness and equity), a large extension of the remit of the National Audit Office (NAO) and a new Public Interest Appraisal Unit. These reforms alone won't restore Whitehall and Westminster's credibility with the public or solve all the longstanding problems facing government, such as the lack of skills and capability, but they could make an important difference.

Improving the system of public finances is critical. Political leaders who see the need for fiscal renewal, with all its challenges, will have to better explain and justify their spending decisions. Persuaded that the public pound will be spent fairly and well, voters might assent to the increases in taxation that would keep the state fit and functional.

It is inevitable in a report of this breadth and scale that I won't agree with all the conclusions or recommendations. However, this paper is a welcome contribution to improving the way we manage public money and therefore to helping increase public confidence.

Executive summary

Even before austerity lifts, there is a compelling and urgent need to improve how public money is spent. Central and local government spending must be justifiable: it must be more efficient and effective and – a third and vital E – equitable. This paper focuses on public money – from spending plans to public accountability. It scans existing value for money and audit arrangements before advancing reforms that a future government might adopt.

Our starting point is that fiscal pressure is likely to rise in the short run, depending on the nature of Brexit. It will certainly grow in the long run, as public spending accommodates demographic change: an older population will demand more health and social care and other services. Inevitably, debate about paying for spending, about tax, will intensify, which will bring to the fore arrangements for ensuring the public pound is fairly and effectively spent.

Tax increases are being urged by serious analysts, such as the Institute for Fiscal Studies. But public attitudes may be hard to shift. If people had more confidence in how money is spent, they might be more receptive to arguments for an increase. That points towards rejuvenating how we prepare for spending programmes then account, evaluate and audit them.

However, securing fair value for money is more than a technical accountancy exercise. It involves detailed understanding of what public bodies exist to do and how they perform. At present, much of that knowledge is locked up inside silos, sector- and organisation-specific. Efficiency measures are taken in health without regard to what is done in local government; initiatives within Whitehall pay no heed to either. Little attention has been paid to the rearrangement of value for money work in the devolved administrations. Instead, we need a new, cross-cutting end-to-end approach, able to compare, contrast, learn and improve.

The paper argues for a system-wide review of how public money is planned, spent and monitored. Audit itself needs scrutiny, not least because the audit function in business and the corporate sector has been shown to be unreliable and sometimes seriously deficient. The body responsible, a peculiar hybrid, the Financial Reporting Council has opaque responsibility for public audit and should be abolished.

Three inter-linked reforms are proposed to:

- create a Public Interest Appraisal Unit to mobilise evidence *before* spending decisions are made, to include evidence of how policy has been delivered in the past and modelling likely distributional effects and operational issues;
- establish an Office of the 3Es (Equity, Efficiency and Effectiveness), unifying the pursuit of fair value for money across the public sector in England, with possible participation by the devolved administrations; and
- reconstitute the NAO to take responsibility for the quality of audit across the public sector, including local government and the NHS, transferring its value for money work and thematic reviews (a recent innovation) to the new Office of the 3Es.

These reforms could prompt reordering and sharpening of the scrutiny function carried out by the Westminster parliament and local government.

Introduction

Polls show people are more and more unhappy at public service austerity; we now need to mitigate or even restore the cuts made since 2010. The Spending Review promised for 2019 but caught up in the toils of Brexit is already more fraught than its predecessors. Money is dished out haphazardly, in short run political fixes. There is little or no *plan* and decisions are unconnected to whether spending offers value for money or is fair.

Yet demonstrating spending is effective, efficient and equitable is more vital than ever. As Brexit looms, money remains constrained; the potential size of the economy (and how much tax it can sustain) looks to be constricted for decades. Government confronts a perennial demand to show it can be trusted to spend wisely and well, and as the 21st century goes on the screws are tightening. The list of collective concerns is long, starting with demographic pressure, running through climate change and environmental sustainability to technological challenges (including artificial intelligence) and falling incomes from employment (and the need for supplements). Government is going to have to seek *more*: additional tax revenue or approval for new borrowing. Progressive government will need extra to mitigate growing inequality, refurbish infrastructure, educate and train more people. More spending points inexorably towards strengthening the case for more tax.

The public pound is precious. Before a penny is committed, government must make strenuous efforts and then again, after it is spent, to monitor efficiency, to mobilise evidence of effectiveness and to *account* for both those and for the fairness of the outcomes.

Some may be tempted to ask: why worry about audits and accounts, let's just end austerity and spend to restore services to health. But to get to where more can be spent, political leaders need to justify and persuade. Polling suggests recent movement in favour of tax, but there is still a mountain to climb (Ipsos 2017). Some were convinced that the public sector had become bloated during the noughties and needed weight reduction. Austerity's architects claimed fiscal 'consolidation' was urgent; this turned out to entail wholesale reductions in benefits and services, as well as policing and national defence. For some this was a pretext for realising their ambition to shrink the state.

Those now pointing to an alternative path must show the money to pay for more and better services will not be squandered or misused. Advocates of higher taxation need to offer assurance that the extra will be well spent. The 3Es used to be economy, efficiency and effectiveness. We cannot be content with those. The first was often perverted, becoming a slogan in ideological campaigning. Economy in the sense of spending no more than is necessary should be taken as given. Economy should not be relinquished to those who *want to do less*. On the contrary, a decent society where services are generous and well-funded should both be economical but also one where the distribution of spending is closely followed. The replacement E has to be equity – focusing on who benefits.

To govern is to prioritise, which necessitates monitoring and performance assessment. Without data, analysis and a dedicated cadre of inspectors and auditors, neither political leaders nor citizens can know whether manifesto and policy ambitions are being met. Of course inspection can intrude into the autonomy that professionals – clinicians, police officers, teachers – must have if they are to serve the public well; form-filling detracts from front-line work; metrics can become meretricious.

Paradoxically, austerity has weakened and corroded the apparatus for ensuring fair and effective spending. In recent years, health trusts, councils and departments have become heavily dependent on contractors and consultants for advice. Vital knowledge about civic functions has been externalised and lost. Reconstruction is needed, along with fresh thinking around value, effectiveness and accountability. The spirit of the age demands more transparency and greater assurance that those exercising public powers are held to account. Let's reboot the state's capacity to self-assess and collect evidence on the outcomes of spending.

Circuitry, cost improvement and balance sheets don't get everyone's pulse racing. Yet financial accountability is a hallmark of progressive government. Accounting machinery exists for public purposes – to build and run nurseries, clinics, housing, policing, parks and social security. Many of them have been badly damaged in recent years. So now is the time for rebuilding accountability and audit. The latter cannot be left to the bean counters; it is much more than a technical exercise. Value for money work not being properly done, the NAO filled a vacuum; its audit skills have been stretched. Assessing social and public value goes beyond the auditors' vocation of ensuring probity and 'regularity' and checking balance sheets – essential as they are. Audit is in intellectual crisis; the discipline is under fire. Do auditors' reports say anything useful; can they be trusted; are auditors in cahoots with executive managers? New international codes and standards are being introduced, affecting the way public money is counted, but with little or no public discussion. As in other domains, technology and new data analysis techniques are pushing change. Devolution within the UK and within England challenges centrally-driven models of financial control but also underlines the need for common standards and mutual learning.

Learning from past experience – good and bad – and from the backlog of studies and reviews, the following chapters set out an agenda for change. It features:

- evaluating what we know and don't know about *how* public money is spent;
- establishing a new unit in the centre of government to pre-screen major spending decisions, amassing evidence for their efficiency, effectiveness and equity;
- revamping how we secure the 3Es across the public sector; and
- a fresh look at how public bodies are audited.

1. The 3Es: Equity, Efficiency and Effectiveness

In the years after the financial crash, certain ministers, councillors and managers could be heard saying: thanks to stringency, see how efficient we have become. Now, as county councils collapse and unitaries and boroughs teeter, as queues lengthen for NHS appointments and the absence of prison staff pushes recidivism, it's plain that starvation does not make for efficiency; cuts cut effectiveness and equity.

Nor did austerity curb political appetite for follies and extravaganza, or the promotion of ineffective and inequitable projects and schemes, from garden bridges to free schools. Hazy in conception and sloppy in execution, the National Citizen Service ate up 95 per cent of the total budget for youth services; it spent huge sums on a tiny number of young people with dubious and largely unproven results. The Local Government Association (LGA) calculated that it cost £634m between 2014/15 and 2017/18 but only 12 per cent of those eligible to take part actually did. Meanwhile hundreds of youth centres were closed and 139,000 youth service places disappeared. You could hardly call policy for this age group efficient, effective or equitable.

The equalities record is especially poor. Government departments write equalities impact statements, but most are notional and incomplete. The Government Equalities Office is almost invisible. The independent Social Mobility Commission was prepared to ask hard questions about the equity of spending on schools, internships and higher education but, deeply frustrated, its commissioners resigned en bloc. Inputs to health and other services are occasionally assessed on how they are distributed but despite the efforts of academics and researchers we lack reliable maps of the geographical, social and minority distribution of spending.

Equity means asking who benefits and why certain groups, households or individuals appear to gain or lose disproportionately. In a society and economy where equality grew sharply and remains high, this E has become central. It is about being aware of differences in access and outcomes and seeking data to judge results. Residents in one part of the borough may not make much use of a park in another part – it may be hard to get there with a pushchair or if you can't afford the bus fare. Spending on park maintenance may thus be redistributive; it might be fairer to share the parks budget between a playground and the park. Similarly, a free garden waste service could turn into a subsidy to households with gardens; more fairly, some cash might be spent on the verges around flats. The social profile of train passengers is different from that of bus users. Public services are a means of rebalancing and may offer more to those least well off. Like progressive taxation, public services may offer less to the better off, within an envelope of universal service, available to all.

Efficiency means assessing what a service costs (input) and what that sum buys (output) and maximising the difference between them. Economists have tried to prove that competitive markets make for greater efficiency; some assert that marketising public services makes them more efficient. British experience over the past 40 years says different. Market efficiency only holds for limited categories of goods and services and then only on the strictest assumptions; in the everyday world are advertising, inertia, deep ignorance, gaming, environmental degradation and other evidence of market 'imperfection'. Complex human services (which most public services are) require planning, professional dedication and subtle assessment of need and capacity; they depend on trust, engagement and assent, that is to say, on qualities that are hard to measure and price but remain indispensable.

Efficiency is often tricky to measure but every pound spent unnecessarily is a pound not available to fund services. We need narratives as well as numbers. Exam results are only a proxy for what education spending buys. They are a tangible 'output' but linking them to an input such as teacher numbers is only part of the story; what schools achieve depends critically on the home lives of students, household income, parents' jobs and attitudes. Numbers of bins emptied and volume of waste recycled link as outputs to the input cost of refuse trucks and staff. But decent environmental services contribute to household and community wellbeing, which though harder to quantify is an important result. Fair equations of inputs and outputs should be comprehensive. Staff cuts may 'cost' (destroy) stable, reasonably remunerated employment and so affect the wellbeing and incomes of households. The Green Book, the Treasury's spending manual, seems to grasp the point: it insists that spending decisions should be conceptualised and measured in the round (HMT 2018). 'The criterion of efficiency', according to the Nobel prize-winning economist, Herbert Simon, 'cannot be applied to decisions without consideration of the [wider] economic effects that the activities of agencies may have' (Simon 1947). A contract that increased joblessness cannot be called efficient unless it sums the net cost to the public purse of having to pay benefits to unemployed workers or top up their pay in the lower-paid jobs they may subsequently get. Letting the contract, a local authority would not bear the cost of social benefits itself but the Department of Work and Pensions budget would – and that should be counted in before a contract is let.

Effectiveness means spending to get a result. We spend on prisons and probation for the sake of just punishment but also to cut reoffending. We don't spend on schools to provide jobs for teachers but to secure their professional commitment in helping young people prosper, be happy and succeed in life and to become active citizens. Public services have multiple purposes, which complicates how we track outcomes. Parks are for recreation and environmental sustainability; they are also an ingredient in wellbeing. Ultimately, judging effectiveness will depends on political valuations but equally it demands data and study, for example about the use made of a service, by whom, how often, whether one section of the population can't or won't use a service. Finding out what 'works' is an existential necessity for progressive political leaders and public managers, who face a permanent struggle to extract maximum value from capped resources. Equity, efficiency and effectiveness do not always align. The art of good government is mixing and matching them.

In recent years interest in monitoring outcomes has lessened. Beset by money worries, organisations such as the Chartered Institute of Public Finance and Accountancy have retrenched; it no longer produces its benchmarking statistics. Public audit has been privatised, sidelined and diminished. In austerity, government has become more silo'd: taxing, spending and review are less joined up. Misuse of fiscal statistics has brought repeated reprimands from the UK Statistics Authority, for example to the education secretary over figures for spending (UKSA 2018), also over homelessness, health and disability allowances. Tendentious if not misleading terminology, such as 'affordable rent', is used without check.

Accounting for Democracy, a report from the Commons Public Administration and Constitutional Affairs Committee, complained it was 'almost impossible' to find what is being spent on particular sectors (PACAC 2017). Money falls between the cracks; spending is locked in a 'black box'; data is uncollected or goes AWOL. Gavin Freeguard of the Institute for Government says "government could manage contracts more effectively if it could link tenders, contracts and spending; those outside government could bring greater insight and better hold government to account if such data were published. There are serious problems with the available data" (Public Technology 2018). Those problems are 'endemic', the NAO has said: "flagship government programmes have suffered from incomplete or poor-quality data" (NAO 2012a). In one among many examples the Commons Public Accounts Committee found a lack of good data undermined citizens' ability to hold police forces and commissioners to account (PAC 2013).

Efforts made to secure and improve efficiency are half-finished, sector specific and eschew mutual learning. 'Whole of Government Accounting', for example, introduced a decade ago to consolidate the accounts of some 7,000 public sector organisations in line with International Financial Reporting Standards, was widely seen as a step forward, but this innovation has not been linked to value for money work and goes unused in spending reviews.

The Cameron coalition government created the independent Office of Budget Responsibility (OBR), which has become a valuable analyst and forecaster. But it also destroyed the Audit Commission, a source of vital intelligence about local services. The government's piecemeal approach included 'single departmental plans' in Whitehall; but they weren't attached to funding streams (so value for money could not be tested) and – all too typically – are not formatted in any standard way, preventing comparisons between departments, which is fundamental in assessing efficiency. The government has no central capacity to collect, curate and act on data about performance or cost effectiveness.

Oversight is also fragmented. Non-executive directors on departmental boards are mere 'shadows', according to Bernard Jenkin, chair of the PACAC (Civil Service World 2016). Inspectors and auditors in different sectors do not talk to one another or work together. To monitor the effectiveness of spending on police there is both a specialist inspectorate and elected police and crime commissioners, with an uncertain remit – are they producers or consumers? Severe pressure has been applied to NHS trusts to show efficiency gains; no parallel effort has gone into assessing the effectiveness let alone the equity of health spending – the 2012 Health and Social Care Act has made it even harder to assess outcomes by sundering 'public health' from healthcare.

Supposedly, awareness of the need for evidence in policymaking has grown. But under austerity, spending cuts were made without research or proper data; they have fallen disproportionately on some regions and places and people – often on poorer places and people, amplifying inequalities and widening social fissures. In the Treasury's own terms, cuts have been short-sighted – decimating Sure Start children's centres damages social mobility and increases the need to spend in future years; chopping police budgets shunts problems and costs to other budgets; and cutting social house-building has increased spending on housing benefit, with a larger share of public rent subsidy now going to private landlords.

2. The opportunity

Both left and right have been ambiguous about value for money. The Conservatives created the Audit Commission partly to restrict the freedom of (Labour) councils to spend on social programmes; they abolished it because – said the communities secretary Eric Pickles – it was restricting the freedom of (Conservative) councils. Labour's relationship with audit has meanwhile been chequered. District auditors were once perceived as enemies (Robson 1925) who threatened to stop progressive councils taxing and spending. In a countervailing strand, as chair of the PAC, the Labour MP Margaret Hodge followed party predecessors Joel Barnett and before him Harold Wilson in close 'pursuit of the public pound'; Hodge pushed the NAO into tougher examination of revenue collection, where the 3Es apply just as much as in spending.

Government is still unmodern in many respects, not least how it deploys professional finance skills. It's half a century since Harold Wilson commissioned the Fulton Report yet its criticism of civil service capability remains pertinent; despite successive efforts at reform, too many senior people lack financial understanding and administrative expertise, however proficient they are as courtiers or system facilitators. Ministers from all parties are tempted to value the latter over the former, preferring 'safe pairs of hands' to experts who know about transport and railways, about the environment or balance sheets. "We don't do sums in this department", a permanent secretary was reported telling a recruit, not many years ago (IfG 2018c).

The 1997-2010 Labour government instigated one-off efficiency sweeps, such as the Gershon Review and Operational Efficiency Programme (Gershon 2004). Polling towards the end of the period showed people far from persuaded that higher spending had bought better services. Right-wing media tried to pin the tag of wastefulness on Labour; the Conservative opposition even claimed spending to cope with the financial crash as evidence of recklessness. After 2010, the coalition government lit a 'bonfire of quangos', regardless of their value for money or the cost of abolishing them, placing their objective of cutting the size of the state ahead of any evaluation of how well or badly the money was being spent. The architecture around value, spending and audit is ramshackle.

A comprehensive study of the process of spending is needed, both before decisions are made and afterwards, when spending is audited and evaluated. In present conditions the Spending Review promised for 2019 is, like its predecessors, going to be disjointed and under-informed. Meanwhile, the half-public, half-private accountancy regulator the Financial Reporting Council is in trouble; its chief executive recently left under a cloud. The review published in December 2018 by Sir John Kingman is scathing (Kingman 2018). A new head of the NAO takes over in June 2019, in succession to Sir Amyas Morse, making a fresh look at the landscape opportune. The terrain itself is in upheaval as the UK adjusts to Brexit – with all its implications, fiscal, political and cultural.

3. A cross-sector review of how money gets spent

This area has not been looked at for years. The Sharman report examined the remit of the Comptroller and Auditor General (C&AG) some years ago, but narrowly (Sharman 2001). No formal review of the legislation on which the NAO operates has been undertaken in 35 years, despite devolution, despite the abolition of the Audit Commission and, among other things, despite the phenomenal growth in outsourcing services. The introduction of accruals accounting, changes in international standards and the reshaping of NAO governance (in the Government Resources and Accounts Act 2000 and the Budget Responsibility and National Audit Act 2011) have taken place without much debate. NAO governance was made more complex.

The study should not be confined to (English) central government. The NAO is classified as the UK supreme audit institution but day to day auditing and value for money work goes on beyond its remit and oversight, in Scotland, Wales and Northern Ireland, in the NHS and in English local government. (Scotland has a woman auditor general, Caroline Gardner, which might be a lesson in itself.) The role and remit of the NAO have expanded in recent years and Sir Amyas Morse has said he would like to go further, making auditors more strategic and involving them 'upstream' in decisions (ACCA 2014); the review might ask whether, alternatively, auditors should double down on their core function of ensuring spending is legal and proper, leaving the examination of fair value for money - embracing a skill set much wider than accountancy - to others.

The Institute for Government has done good work, but focused on Whitehall; we know a lot less about the 'how' of spending in the NHS, arm's length bodies and local government in England, let alone the theoretically more integrated public sectors in the devolved territories. This is not a 'system'; it's a thing of shreds and patches.

Recent innovations should be acknowledged. The Crown Commercial Service and the Infrastructure and Projects Authority, formerly the Major Projects Authority, could be further developed. But spending decisions are segmented; departments behave like baronial fastnesses. In them, the design of policies and their implementation are downgraded; equity and effectiveness in delivery are not given sufficient attention. The Treasury commands the totals but collects no standardised data on *how well* departments spend – on information technology, on staffing or contracting or interconnections. Until its end was announced in the October 2018 budget (leaving hospitals and councils still facing enormous, wasteful outlays), PFI was allowed to grow and mutate, despite evidence from the start of dysfunction and steeply negative value for money. 'Help to buy' is another policy that, from inception, has been judged inefficient, ineffective and inequitable (Resolution Foundation 2017).

Valuable evidence has not been put to use. Watchdogs bark, but no one wakes. NAO reports keep returning to the same deficits in delivery identified in earlier work. Take restructuring of working age benefits through Universal Credit. Early on evidence was amassed about inefficiency in implementation and unfairness; it was dismissed by ministers and the Treasury nodded a disastrous project through. Cuts are applied without proper study or analysis, for example in border control, prisons and the courts, with the perverse effect of increasing spending over a longer run period. Time and again, the NAO has found the Home Office unable "to provide a complete picture of what had happened to plans, or how it monitors them" (NAO 2014a). There is little if any assessment and evaluation of the impact of policies and programmes on other parts of the public sector – for example the impact of welfare cuts and housing benefit changes on local authorities. The fault here is not the NAO's; it's the failure of ministers and civil servants to respond and MPs to force change.

MPs, academics and think tanks have highlighted the simultaneous strength and weakness of the centre of UK government, the Sargasso Sea of decisions and spending supervision that stretches between the Treasury, Cabinet Office and Number Ten. Inputs (costs), delivery and design are not integrated with outputs and outcomes. Decisions fail to register what the public experiences and, too often neglected, fairness, including gender, ethnicity and geographical balance. For all its power and control over departments' funding, the Treasury is weak in its capacity for strategic planning. The 'business cases' it requires from departments are often formulaic and routine. As Lord Kerslake put it: "There needs to be a place in government for thinking about the fundamental relationship with citizens and the design of services" (Kerslake, 2017).

4. Public Interest Appraisal

Government should offer "more details on the feasibility, potential risks and mitigation strategies in place for departments' major projects [which should be] subject to external validation and provide the basis for future scrutiny of the project" (IfG 2018a). Before spending goes ahead we need much sharper questioning of where the money/services will end up and which groups or communities or households will gain, which lose. What are the likely long-term results? Can unintended consequences be anticipated? Will the decision to cut produce a need to spend? Do the front line and/or contractors have the capacity to deliver outputs at speed? Is it understood, in advance, whether services will be franchised or contracted out – and what might be the consequences of job loss or relocation for people and communities? Have citizens and residents been consulted; when they come to a government office or go online, will they presented with workable, user-friendly interfaces?

To pose and respond to such questions, government needs an appraisal function, equipped like the OBR, to call in and review plans and programmes before they go ahead. A Public Interest Appraisal Unit (PIAU) would be proactive, demanding to see the working on spending plans, assaying evidence on effectiveness and, particularly, on equity. Just as the OBR extrapolates proposed fiscal changes the PIAU would look for staffing implications, at sustainability and equalities. It would exist to prevent what Steve Bundred, former chief executive of the Audit Commission, has called: "a recurring feature of reports on flawed projects. They were based on over-optimistic business plans, relying on questionable assumptions. When things go wrong the usual response is to throw more money at the problem, with a series of inadequate patch ups rather than revisiting the original policy or plan" (ACCA 2014). The PIAU would cross check with the Office for the 3Es (see below) on data, audit and follow up. The PIAU should model the distributional and spatial dimensions of spending, along with its value and impact.

The PIAU need not slow down policymaking, but what is the point of policy that doesn't deliver or has perverse consequences? As the Institute of Government observes, "Ministers often agree to projects that face serious known challenges or risks, making them very likely to fail. These failures not only waste public funds, but also harm the public" (IfG 2018b) The Unit could test proposals against (manifesto) principles, evidence and 'deliverability'. The Delivery Unit set up under Labour followed its initiatives on schools, health and policing. What is proposed here is pre-delivery – a reshaping of the way policies are assessed before they are launched.

Building blocks for this approach are in place. Awareness of the need for evidence about policy appears to have grown. In the 'What Works' network, for example, are seven centres providing evidence and advice on some £200bn of public spending (What Works 2018). The new Infrastructure and Projects Authority oversees 'gateway reviews' of major projects relying on public money. The PIAU might absorb such work.

Government already has cost benefit protocols, set out in the Treasury's Green Book. These should be updated to reflect best practice and new thinking about public and social value – for example from the Social Value Portal and Task Force, New Economy in Manchester and the New Economics Foundation. More work needs to be done on invest-to-save models and how to capture and discount the future financial benefits from today's spending. For instance, improving housing can save healthcare costs; early years schooling makes for better and more productive lives from adolescence. Such modelling is in tune with Whole of Government accounting.

Like the OBR, the PIAU's credibility would depend on its staff simultaneously being part of policymaking while retaining sufficient critical distance from plans and programmes. Probably located in the Cabinet Office but working closely with No 10 and the Treasury the PIAU would have to incorporate the knowledge and experience of people who had run schools, benefits and services: the construction of Public Service Agreements under the Labour government brought in people from local government, the police service and so on.

5. Fair value for money

Public money is spent and accounted for as if health, policing, education had little in common. Citizens, however, take a generic view and don't distinguish civil servants from NHS staff or council workers. Why should they? Surely all have a similar ethos; all personify collective purpose. The public sector is singular and, allowing for devolution to Scotland, Northern Ireland and Wales and to local elected councils, pursuit of the 3Es should reflect that. The alternative, what we have now, implies that how a health trust runs is completely different from the operation of a college or council department or government agency, which is plainly wrong. There is mutual learning about productivity, serving the public, procurement, and the fair treatment of staff and citizens.

Once money is committed, oversight of *how* it is spent is fractured and dissipated. In theory, the public sector is populated with 'accounting officers', officials with formal responsibility for ensuring money is properly spent; the Treasury publishes a manual and guidance and the Commons Public Accounts Committee (PAC) can question them. "But the depressing reality of all inquiries by our committee is the continuous recurrence of waste; people never learn the lessons" (House of Lords, 2012). Data on effectiveness or equity is not collated, compared or reported. Gaps in accountability are especially glaring in spending in the wider public realm, by local authorities, universities, arm's length bodies, the NHS, police commissioners and academy schools.

In 2012, the Cameron coalition introduced 'accountability system statements' that were meant to 'clarify arrangements for departments with locally devolved spending' (Kerslake 2011). What they showed was how little is known about great wedges of spending, especially after the 2012 disorganisation of the NHS and the rush to create unaccountable free schools and academies while stripping the probation service and further education institutions of their residual public sector connexions. Reviewing these statements, both the NAO and PAC have expressed misgivings, observing that oversight of NHS trusts and academy schools is weak. The Communities Department, for example, "did not know whether its accountability system ensures local authorities provide value for money" (NAO 2014b).

Grants to councils and ad hoc City and Growth Deals to new combined authorities and metro mayors have been made without adequate oversight. Similarly, there is a public accountability deficit surrounding the public-private Local Enterprise Partnerships (LEPs), which collectively disburse more than £17bn of public funds. According to the NAO: "there is a lack of basic systems in place to make sure interests (of LEPs) are declared and where money is being spent" (NAO 2016).

Before 2010, when its abolition was announced, the Audit Commission had come to be seen as the enforcer of a centrally driven performance regime. Its demise brought an end to local value for money studies and reliable data; no one now looks systematically at the equity dimensions of council revenue raising or spending. Comparative assessment of local authority performance – for the sake of councillors' own ability to make good decisions -- is more difficult; mechanisms for pooling experience are weaker. We can do it ourselves, the Local Government Association said; it organises 'peer challenges' through informal networks of officers and members. These ad hoc efforts have no certified results. They are not mandatory: some local authorities do not participate and others refuse to publish or water down critical reports.

6. The Office for the 3Es

A new, single responsibility for fair value for money should extend across the whole public sector and be located in one place. This Office for the 3Es would track how fair (equitable) spending is and look across the chasms separating health, local government, housing and social care. It would have power to collect and analyse data – on costs and performance, including the take-up of services in different places and by varying groups of people. It must be fully 'end to end'. The Office would compare and contrast: why a seemingly identical activity is more or less expensive in one compared to another local authority; why procurement spending on the same goods and services differs. And why do NHS trusts and adjacent councils not share the same supplier of identical goods, driving down costs – or collaborate in building a local supply chain, offering employment and enhancing community wellbeing?

The Office would not usurp the duties of councillors, ministers, boards or police commissioners but it would push, challenge, inform, enlighten and perhaps shame them into action. Ensuring fair value for money has to remain the responsibility of those who are accountable and elected. Local authorities and others would remain free to make their own decisions but evidence from the Office would be available to ministers, councillors, the media, civil society groups, trade unions and others, prompting them to question, challenge and hold decision-makers to account.

The Office would identify poor standards and performance within departments; it would reference costs and harp on disparities of service, where they exist, between areas, communities and social groups. It could channel the work of the Government Digital Service, which has seemed curiously detached from what departments and agencies actually do when they spend on IT and, typically, treats Whitehall as a sort of administrative island, isolated from where public services are experienced by people, in the NHS and local government. The same criticism applies reciprocally to NHS Digital. Without tumbling into naïve techno-enthusiasm, the Office would be a cheerleader for helping people using public services more effectively and fairly through IT and, vice versa, adapting IT to improve both public administration and how the public is served.

The Office would ask sharp questions. Why does DWP contract out facilities management when it could add to social value (and lower costs) by using local council staff; and by the way why do DWP and the Home Office not plan and run their estates function in common? Do police and crime commissioners implement reports from HM Inspector of Police and Fire and Rescue that proffer suggestions about improvement? Who compares the cost schedules of local authorities? How efficient has been the top down financial pressure on public bodies – especially in health in producing efficiency savings? "For too long", says NHS Providers, "there has been an assumption that if you use national payment mechanisms to cut the amount paid to providers in real terms, year on year, this will automatically cause an acceleration in the annual rate of efficiency savings. The endemic provider deficits of recent years demonstrate that hypothesis has been tested to destruction" (NHS Providers).

The fairness of spending decisions is insufficiently unexamined. The government is pushing councils to rely on locally raised revenue and cutting grants. Reports have queried the justice of hitting the poorest places hardest. An important role for the Office for the 3Es would be monitoring financial support for local authorities and how available grants are spent (PAC 2014).

Academy schools and multi-academy trusts are subject to no systematic tests for how well they deliver the 3Es. "We found persistent limitations in data for assessing and comparing value for money in academies. Financial data are not yet fully comparable between academies and maintained schools, or always reported at individual academy level" (NAO 2012b). Similarly, further education and universities: these institutions spend huge sums without inspection of their equity, efficiency and effectiveness. "The excessive salaries of vice-chancellors are disconnected from a value for money offer for students", say MPs (Education Committee 2018). The Office would be able to amass data of kind that has never been compiled (vice chancellors compared to chief executives of hospitals or local authorities or permanent secretaries) and tease out anomalies and waste.

The Office would seek to involve financial professionals, but it would not just be about money: it would monitor and assay the performance and data amassed by the 'quality' regulators, among them the Care Quality Commission and HM Inspectors of Constabulary and Fire and Rescue Services. As of now these agencies have only fitful and confused responsibility for securing fair value for money. None focus on, or instigate the collection of data about the performance of contractors. The watchdogs themselves must also be evaluated. The NAO was sharply critical of Ofsted over the absence of information on its efficiency and impact (NAO 2018).

The Office would loop back to the Public Interest Appraisal Unit described above so that the design and scoping of policies was informed by knowledge of how well services and policies are being delivered. Civil servants might stand up better to the follies and misdirections of ministers if they had access to independent, informed evidence of policies' likely success. The Office would not *direct*. It would pull together and propagate ideas and data. It would collect and curate data on how contractors have performed, indeed on who they are and would be a natural home for the Domesday Book on outsourcing we have recommended (Tizard and Walker 2018).

The recent American proposal to establish a Government Effectiveness Advanced Research Center is also worth looking at – to test hypotheses and shape thinking about efficiency, citizen participation and technology. Analysis goes on, in certain universities and at bodies such as the Institute for Government, which seeks to monitor performance in central government. But there is no single UK-wide body collating information about how health, local government and the devolved areas as well as in Whitehall, appraise what they do - particularly regarding equity.

For all the numbers NHS trusts in England have to collect, their performance on the 3Es is hard to judge. Data on equity and effectiveness is at once profligate and sparse, spread between NHS Shared Business Services, NHS Improvement (NHSI), NHS Digital and other agencies. The Office would be especially concerned at the disconnect between 'public health' (now a local authority responsibility in England) and healthcare; they are of course intimately linked. Do the devolved administrations have better regimes? Should the NHS in England invest more in 'public health', so stemming demand for acute and hospital services?

Financial supervision of providers (hospitals, mental health, community and ambulance services) is done by NHSI, a quango separate from NHS England. It had responsibility for 'use of resources' but this was recently given to the Care Quality Commission (CQC), which promptly delegated it back to NHSI. Regulators can tell when a health trust is in financial difficulty and, probably, measure its staffing numbers and throughput. But who asks about its effectiveness or equity? Stark inequalities in access to care persist; why are spending patterns so unchanging despite the passage of years; why is so little known about the outcomes of decisions made by commissioners and provider trusts?

The integration of NHS trusts now being pushed brings an opportunity to bake the 3Es into the emerging landscape. The Office for the 3Es could inform the English NHS by extracting lessons from Scottish, Welsh and Northern Irish structures. The Office could link and rationalise NHS value projects, which at the moment are usually unconnected with the wider public sector. Lord Patrick Carter has been reviewing productivity. He told the Department of Health that value for money was thwarted at every turn by the structure that the 2012 Act had created. In a subsequent review of mental health and the ambulance services, the message was similar. He found, for example, that if more patients were treated by paramedics or better assessed over the phone the NHS could reduce pressure on emergency departments and beds. This is valuable. But no agency exists to trial and propagate such recommendations or key them into pay and performance or, importantly, to link them with what is happening in councils or elsewhere in government.

7. Bringing people in

Measuring effectiveness and equity has to involve the public both as data and as scrutineers. Those who use services have a big contribution to make to service design, monitoring and review. They often will be the arbiters of what is effective. They will know how services can be improved; which ones are no longer needed or inappropriate; and what new services and ways of delivering them should be deployed. They can also challenge 'efficiencies', which would be harmful to their wider community interests.

But the public's appetite and capacity for detail is limited. 'Armchair auditors' were called for by the Cameron coalition but did not turn up. One reason was, and remains, the data itself, which is lumpy, hard to decipher and liable to misinterpretation. In one instance, town hall staff were found to be ordering bouquets. Waste and extravagance, some cried. In fact the flowers were ordered by the registrar's department and their cost fully covered by the couple getting married at the weekend. Here's an example of the need for value for money expertise – people with experience and savvy examine processes within an organisation to test their probity, social utility and efficiency.

Nevertheless, the Office for the 3Es should actively seek people's views; what the public experiences is a central part of public value; the daily contacts of residents and citizens should form an essential part of judgements around the 3Es. How providers treat service users and citizens *is* often how effective a service is. Making it easier to access a service may also reduce costs. Applying for parking permits online should be simpler and cheaper, but not at the expense of residents who are not online. Ironically when services are subject to competitive tendering service users are often least involved and are given no choice about where the services are allocated.

Advocates of markets used to claim it was simple. No need for regulators or supervisors of public value. 'User choice' automatically makes services more efficient and effective. In a theoretical market knowledgeable and active consumers pick and choose the more efficient and effective services among the several being offered. But the model does not reflect reality. What about services (most of them) where people don't know in advance the quality of the service on offer, for example school performance in eight years time? Consumers are not and can never be sufficiently knowledgeable (just as they are not in most private markets too). Think police, prisons, environmental inspection, weights and measures. The model implies large amounts of 'redundancy', especially in health and schools. Without many more schools and clinics than people need, choice cannot be made.

8. Reconfiguring public audit

Audit does not in and of itself secure effectiveness or equity – the 3Es go beyond the skillset mustered by accountants. The creation of an Office for the 3Es could be occasion for an overdue review of the division of labour. Audit is not in the healthiest state. Public audit is meant to assure citizens that money is being lawfully spent, according to proper procedure. But lately it has been allowed to atrophy and been privatised. The last time anyone looked seriously at central government audit was during the late 1990s; audit has not since been looked at in the round.

Meanwhile the audit of companies is in crisis, thanks to repeated failures to check what company directors are up to amid widespread concern over standards and the overwhelming dominance of the Big Four accountancy/consulting firms (Brooks 2018). The regulator of audit quality in all sectors is supposed to be the Financial Reporting Council, which is a limited company partly funded by the private sector and peopled by practising partners or alumni of the major accounting and insurance companies. (Financial Times 2018). Its reviewer, Sir John Kingman, himself chairs Legal & General plc – the largest institutional investor in the UK. But his criticism is trenchant: it has got to go and the anomalous role it has played in supervising the quality of local public audit transferred.

At the heart of audit reform is the role of the NAO, which scrutinises aspects of public spending on behalf of the House of Commons. At a time of political pressure on the civil service, the corrosion of official statistics and the denigration of evidence and expertise by ministers, the NAO has shone like a beacon. It is a precious source of disinterested analysis and welcome critic of how central government accounts for spending. But that does not mean existing arrangements for public audit are unimprovable.

A review might query the disconnect in Whitehall between internal audit, which the Treasury runs, and the NAO's role as external auditor of government departments. It took time – too long – before the NAO turned its attention on outsourcing of public services. Primarily a finance body, the NAO repeatedly confronts issues to do with the organisation and personnel of Whitehall departments, where it lacks expertise. The NAO says it evaluates the 'value for money of all public spending national and locally' (NAO 2013) and its remit was broadened in 2014 to allow it to undertake thematic value for money studies. But its studies can appear random. It looks at the equity of services only indirectly and hesitantly. The bulk of its work is central government. NAO reports on policing, health or council activities are written at a high level of generality.

Scotland, Wales and Northern Ireland now have unified audit offices, looking over their entire public sectors. In England, the NAO writes a code of audit conduct for English local government but has no role in assessing the auditors themselves – who are now all from the private sector. A company, Public Sector Audit Appointments, owned by the Local Government Association, chooses auditors on behalf of individual councils but it does not regulate their quality. 'These arrangements run a very clear risk of allowing weak and limited audit disciplines to prevail in local government' (Kingman 2018). Indeed. During austerity auditors have rung no alarm bells. In Northamptonshire they (and council officers) kept silent too long and the result was financial disaster. Councils have cut what they are able or willing to pay, affecting the rigour of the work done (Morse, 2018).

An urgent task is oversight and rejuvenation of audit committees. It's easy to write a list of the things a good audit committee should do – read the accounts, listen to auditors, question them, follow up; insist on rigorous risk assessments; link the findings of internal audit to executive decision making and demand the most independent and rigorous external audit – by auditors who have no commercial interest in soft-soaping. But how many council, NHS or public bodies' audit committees do all that? Has risk oversight been safely transferred elsewhere? Perhaps audit committees have proven their uselessness by their impotence and silence during austerity as swingeing cuts have been made, regardless of their impact on pubic or organisation.

One option for public audit after the abolition of the Financial Reporting Council might be a new agency, which if it did not itself conduct audits would oversee performance and quality. Its remit could be audit outside Whitehall, policing the appointment and quality of auditors in local government, police, academy schools, universities and so on. For example it might check whether higher education auditors ever look at vice-chancellors' pay in a systematic, joined up and sceptical way; whether auditor reports are looked at by the sector's regulators. Similarly with schools. Academies have to submit audited accounts to the Schools Funding Agency. It has no responsibility for who the auditors are or how well they do the job.

Alternatively, the Office for the 3Es would assume the value for money work now carried out by the NAO, which would in turn assume a genuinely 'national audit' responsibility. The NAO would become the quality guarantor and supervisor of public audit throughout England plus its responsibilities for non-devolved UK government (and the international work it does).

Audit and value for money are different but often confused. A new division of labour could clarify. There is much audit tidying up to be done. At the moment determination of whether *public* money has been spent legally is done by *private* accountants. Actually similar problems confront both public and private sectors. As with a FTSE 100 company, if a board or council chooses their auditors, the independence of audit is jeopardised. The big audit firms are also the big consultancies and their partners are programmed not to bite the hand that feeds them; their sense of professionalism is trumped by their pursuit of profit maximization. They sell advice to the very companies and public bodies they are supposedly subjecting to rigorous scrutiny. The anomaly is so large that even some private auditors can see the need for change. Grant Thornton, which has its own problems of governance, wants to 'nationalise' auditor selection: in other words, for a public body to choose who should audit firms, to avoid conflicts of interest and poor audit quality (Financial Times 2018).

The NAO might promote a mixed economy, allowing comparison and contrast and gingering under-performance. It would choose auditors (mutuals might also be encouraged) to check that due process has been followed in spending decisions; whether interests have been declared; whether the bank account numbers tally; when income has been accrued and so on. The auditor checks the minutes and runs up a red flag if the remuneration committee contains the very people whose pay is being discussed and decided. The auditor also asks about the chief executive of an academy school and her husband's interest in the firm given a contract to redevelop its buildings. And about the finance director's pay off. NHS trusts were formerly audited under the Audit Commission. Now they choose their own private firms, and the NHS has become a rich field for the large accountancy firms, who are also energetic suppliers of consultancy (not least on lucrative turnaround work). KPMG, E&Y and PwC amass details of trust performance, which they can use in selling consultancy; 'their' data becomes knowledge for sale and is arguably not for sharing or system improvement.

Problems with audit

a) Equity gets ignored. Auditors calculate assets and liabilities in the narrowest balance sheet terms, ignoring the oncosts of spending decisions. They have traditionally shied away from looking at *who benefits* yet in post-Brexit Britain, geographical and social distributions must be built into all assessments of spending. If accountants can't or won't audit more widely, they have to cede space.

b) Value for money. Audit emphasises the latter and forgets the many dimensions of the former, which of course are not all financial. Appraising the 3Es requires a broad cast of mind. Spending on services is dynamic and can have unintended consequences. Cutting the public sector workforce may damage an entire community and piling up social problems in later years: such 'extra contractual' and 'post balance sheet events' must be taken into account. Often value for money audits focus on narrow bottom lines and do not consider the holistic impact of expenditure

c) Disjointedness. The NAO does not audit councils or the NHS. No single body oversees the quality of what external auditors do; or internal audit. The Public Audit Forum, established in 1998, brings together the NAO and the auditors of the devolved administrations and links UK audit to international organisations. But it is an informal arrangement rather than a database or powerhouse. Missing is a synoptic view of government, following every pound of allocated funds across the tiers of government, comparing and contrasting.

d) Governance. Some auditors stick to the accounts, others flag issues of public interest, including how boards and committees function. But 'governance' takes them out of their comfort zone. Evidence is often sketchy.

e) The 'fuller picture'. By background and training, auditors find it hard to join together disparate data, about operations, management, sustainability and public attitudes as well as income and expenditure tallies. They may miss what Scotland's auditor general called the fuller picture of the state now and in the future (ACCA 2014).

f) Outsourcing has not been adequately audited. The private sector is now heavily involved in delivering services in the UK, but its accountability is sub-standard. Carillion was a double whammy of audit failure: the accounts of the company did not reflect its risks; the accounts of the councils and trusts contracting with it ditto. For the past four decades, the state sector has been subject to dogma. Doctrine becomes conventional wisdom, for example, that the only way to secure efficiency in services was to enforce *competition*. In *Out of Contract*, we showed how services have been 'commodified', broken up into chunks that private companies might provide. Outsourcing companies and prove unreliable: to the cost of contracts have to be added costs of monitoring, 'double running' and provision for what happens in the event of a default, such as the failure of G4S at HM Prison Birmingham. If services are to be reviewed or even in-housed, big changes are needed in how they are assessed and accounted for.

These are vital tasks but they are different from the search for the 3Es. That is a broader enterprise, for which an accountancy qualification on its own is not be enough. The Office for the 3Es would have to make judgements about policy, operations and the effects of political decisions and demonstrate a sense of the interconnectedness of spending decisions. The pursuit of fair value for money entails looking at, for example, the terms of an outsourced contract in the light of social and economic effects on a wider canvas, not just the budget of an individual health trust or council. Value for money challenges decisions that, by their nature, risk waste and overspending. It might have asked, for example, why build two aircraft carriers when there will be no aircraft to fly from their decks – and, besides, exactly what defence posture will the ships fit? To reply that the ships were built partly to assure employment at Rosyth is a perfectly valid answer; the Office for the 3Es would be entitled to query whether the Fife jobs market could have been supported at less cost and whether similar protection was on offer to Devonport.

9. Parliament and local government

The repurposing of the NAO and the creation of a pan-public sector Office of the 3Es would require both parliament and local authorities to rethink their roles. To some, subjecting councils to monitoring by the Office for the 3Es would infringe their autonomy. Yet they are already subject to external inspection – by the CQC and Ofsted and other regulators. The Office for the 3Es would level the playing field by making central government departments subject to the same scrutiny as councils. They would stake a large claim to membership of the governance devised for the Office. As for audit, councils have already ceded choice of auditors to a national body, albeit owned by the LGA. Few could defend the resulting regime.

The public often fail to understand why services are not better integrated – why someone with disabilities has to apply to the council for a wheelchair when the NHS also supplies wheelchairs and the two services do not interconnect. Along these lines, couldn't the pursuit of value for money be more integrated? The Centre for Public Scrutiny, Andrew Gwynne MP, shadow communities minister, and others have suggested councils create local 'public accounts committees' (Public Finance 2018). As well as a council's own activities, they would extend to joint arrangements with, for example, the NHS and to academy schools and LEPs. They might be independently chaired and membership could include MPs, who spend a lot of their time dealing with local issues, and people from civil society.

The Centre for Public Scrutiny says they would have a right to access papers and information and 'enter and view' all service organisations. This proposal points back towards 'Total Place', the Labour-era initiative, treating the entirety of public spending in a given area as a whole. The Office for the 3Es would be a natural partner for such bodies, absorbing local detail in a wider, thematic picture and linking with findings from other areas, and its scrutiny of Whitehall, the NHS and national bodies. Comparing and contrasting council performance requires studies at scale. The database on which it would form a judgement would have to be regional or England-wide and would best be supplied by the Office. Devolution, paradoxically, may go hand in hand with strengthening system-wide data and understanding. If they are to lead localities, councils need access to verified, comparative data.

Yet existing council overview and scrutiny committees have a mixed record. They have lacked support; councillors have not found their work congenial. In the Commons only a small number of MPs – ministers – have executive responsibility; there is a large pool of backbench members with the time and ability to undertake scrutiny. In a local authority many majority party or ruling coalition members are part of the executive. Judging fair value for money requires councillors who are able to defy their party whips.

Giving the NAO responsibility for all public audit might have implications for its status as a parliamentary body. But now is a good time for reconsideration. Much of what the NAO does is barely discussed by MPs; the PAC picks up only a fraction of its reports. The division of labour between the PAC and other Commons select committees is fuzzy. The PAC process does not mesh with the way the Commons votes spending (through what are traditionally called 'estimates', usually at the behest of the Treasury). MPs themselves are questioning how effective they are as scrutineers (PACAC 2018).

Party affiliation usually proves stronger than commitment to assessing equity and effectiveness. The Liaison Committee (which brings together the chairs of significant Commons committees) laid out the issue when austerity began; "the purpose of financial scrutiny is to make the government's financial decisions transparent, to give those outside Parliament the opportunity to comment, to have the opportunity to influence and to hold the government to account, thereby contributing to an improvement in financial decisions and management and improved value for money in services" (Liaison Committee 2008). This has become more apparent the longer the cuts have lasted.

The Office for the 3Es would serve as a source of vital intelligence for all parliamentary committees. The pursuit of fair value for money could be seen as a duty on all MPs, not just those sitting on the PAC. Similarly councillors would benefit from intelligence and analysis from the Office and the NAO. The relationship between parliament and local authorities is sensitive and these arrangements will need joint supervision.

10. Safeguarding public pounds

Public audit has been degraded. The pursuit of value for money has been fragmented and marginalised; the vital 'E' of equity is yet to be fully recognised. A new streamlined office is needed, together with a national audit authority, fashioned from the tried and trusted NAO.

The recommendations made here are far from revolutionary. They follow the logic of successive studies of the finance function (NAO/Chartered Institute of Management Accountants). The challenge is to revivify public audit while integrating value (and equity) for money into mainstream spending decisions before as well as after they are made. The remit of the Office for the 3Es must therefore be system wide, in order to capture and work on differences and parallels between different spheres of government and especially local government and the NHS. This agenda for change can profit from the experience of the devolved nations.

The UK system is also marked by Treasury indifference to the effectiveness of spending, to its equity and even, remarkably, its efficiency. The centre of UK government – the Treasury, together with the Cabinet Office and Number Ten - doesn't *know* enough; it has not in the past cared to collect or collate needed data. Our report *Out of Contract* showed just how careless the system has been: how Whitehall and town hall failed to keep tabs on contracts and did not bother to find out whether bringing private companies in actually 'works'.

Services are in a bad way. After harsh years of austerity, reconstruction is needed. Polling suggests the public is tired of continued spending cuts. But the politics of service improvement is far from simple and decades of insidious attacks on public services and public service workers can't be simply brushed aside. Service users themselves also often fail to distinguish the reasons for their own bad experience – lack of resources rather than some innate problem with councils or the Department of Work and Pensions. The case for public services needs to be remade, and remade continuously through the mainstream and social media. And a central part of that case must rest on the 3Es and reform of our public finances.

The aftermath of Brexit could be an occasion for institutional renewal – especially those institutions concerned with the good governance of public money, which could be under even more severe pressure depending on the nature of the settlement with the European Union. Every serious analyst of UK public finances, notably the OBR and Institute for Fiscal Studies, point to the necessity of increasing the tax take in order to accommodate demographic change.

Reform of how public spending is planned, monitored and disciplined is vital to winning the debate on tax and spend. A progressive government cannot avoid asking households on median incomes to pay more tax. That will have to be justified by progressive management, which embraces both fair terms for staff and stretching targets for serve delivery. A large act of persuasion is going to be needed. The public will have to be convinced that extra resources will be equitably, efficiently and effectively spent – that safeguards are in place to guarantee that the public pound is buying services that work.
Those safeguards should take the form of a radical reworking of value for money and audit.

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If you would like to know more about the Smith Institute please write to:

The Smith Institute
Somerset House
Strand
London
WC2R 1LA

Telephone +44 (0)20 3141 7536
Email info@smith-institute.org.uk
Website www.smith-institute.org.uk
Twitter @smith_institute

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